



THE COUNTY OF GALVESTON
COUNTY AUDITOR'S OFFICE
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County Auditor
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March 31, 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 Treasurer's Office. The audit covered the period January 1, 2014 through December 31, 2014. Also attached is the response letter from Honorable Kevin Walsh, dated March 10, 2015.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Rice CPA".

Randall Rice CPA
County Auditor

cc: Honorable Kevin Walsh

Attachment: Treasurer's Office Audit Report
Response Letter, Honorable Kevin Walsh



Galveston County Treasurer's Office Audit

February 11, 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 (page 3)

- The controls for receipting daily collections appear to be adequate and effective. Collections tested were accurate and deposited in a timely manner.
- A review of the electronic funds transfer (EFT) process was performed. Nothing came to our attention to doubt the validity or accuracy of the EFT's.
- Nothing came to our attention to doubt the overall reliability of the payroll information recorded in IFAS.

Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.
- The Treasurer's Office deposits collections to the bank daily.
- The Treasurer's Office reconciles daily the amounts of the deposit warrants and the amounts of the daily (online) bank statements to ensure the accuracy of the deposits. The Auditor's Office Accounting Division performs the monthly bank reconciliations for this office.

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

- The Investment Officer is in compliance with the County Investment Policy. Quarterly investment reports are submitted to the Commissioners' Court within 60 days after quarterly period ends.

Introduction

The Internal Audit Division conducted an internal audit of the Treasurer's Office, as required by Local Government Code §115.0035. The internal audit covered the period January 1, 2014 through December 31, 2014. The audit was performed from January 20, 2015 through February 11, 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 a review of the internal controls, the financial records and administrative procedures related to revenue collections, deposits, disbursements, and investments of the Treasurer's Office. The internal audit included, but was not limited to, the books, accounts, reports, and records of the Treasurer's Office.

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 Treasurer's Office, as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Yun Yap, Auditor III 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.

One of the most important controls is to have proper separation of duties. No one person should authorize a transaction, record the transaction, and have custody of the assets. The Office has instituted procedures to separate the custody of the assets from the recording and authorization functions. The Office has an effective separation of duties.

Daily Collections

Funds collected by the Treasurer's Office are recorded electronically on the "Master Deposit Warrant Log". A number stamp is used to assign deposit warrant numbers to assist in accounting for the individual collections. During the audit, Internal Audit (IA) verified the following:

- Deposit Warrant numbers were not skipped
- Amount collected per deposit warrant was deposited in the bank
- Collections were deposited in the correct account
- IFAS journal entries agreed with the amount deposited

There were no exceptions detected in the testing of daily collections.

Electronic Fund Transfer (EFT)

An Electronic Fund Transfer (EFT) is the electronic transfer of funds from one account to another within one financial institution or many institutions. The Office processes EFT's for numerous departments in the County. The department requesting an EFT must provide the appropriate support documentation for the request, and each transfer must be approved by the County Treasurer prior to the transfer. The banks have a list of all County bank accounts and external accounts (i.e., State Comptroller, Attorney General, AUL, etc.) and a list of the authorized signers. In the event the EFT is requested by an unauthorized individual or to a location not on the list, the bank notifies the County Treasurer.

All EFT's tested had appropriate support documentation and were properly approved by the County Treasurer.

Payroll

The Treasurer's Office processes payroll through the usage of two systems: IFAS (the County's financial system) and GHG (a time tracking software application used by the Auditor's Office and the Sheriff's Office). After the initial set-up of an employee, the only entries made for payroll are to report the exception time (sick, vacation, military leave, etc.). Departments utilizing IFAS report their exception time on payroll claim sheets. The exception time from payroll claim sheets is manually recorded in IFAS by the Treasurer's Office Payroll Technician. The departments using GHG record their exception time directly in the GHG application which is then imported electronically into IFAS by the Treasurer's Office Payroll Manager.

Nothing came to our attention to doubt the overall reliability of the payroll information recorded in IFAS.

Safeguarding of Assets

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

Physical Security

Physical security encompasses any method to physically secure the collections from loss. Collections not being used should be kept in a locked drawer/safe until they are needed.

As part of the audit, we conducted a surprise cash count on January 27, 2015.

All cash was accounted for at the time of a surprise cash count.

Minimizing Exposure to Loss

Daily depositing is one of the best methods of minimizing exposure of collections to loss as well as providing the County with maximum benefit of collections.

The Treasurer's Office deposits collections daily.

Management of Collections

Properly prepared and adequately supported bank reconciliations are one of the best methods of cash management available to any official.

The Treasurer's Office reconciles daily the amounts of the deposit warrants and the amounts of the daily (online) bank statements to ensure the accuracy of the deposits. The Auditor's Office Accounting Division performs the monthly bank reconciliations for this office.

Compliance with Statutes, Policies, and Procedures

County Investment Policy

The Treasurer's Office Investment Policy requires the Investment Officer to submit to the Commissioners' Court a signed quarterly investment report for all funds for the preceding reporting period. Each report should be submitted within 90 days of the end of the reporting period.

The Investment Officer is in compliance with the County Investment Policy as quarterly investment reports are submitted to the Commissioners' Court within 60 days after the quarterly period ends.



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KEVIN C. WALSH, C.P.A.
COUNTY TREASURER
COUNTY OF GALVESTON

March 10, 2015

Re: County Treasurer's Office Internal Audit Calendar Year January 2014-December 2014

I have received and accept all findings in the internal audit report that covered the period of January 2014-December 2014. As the Treasurer I take pride in my staff's ability to efficiently reconcile all major bank account transactions along with appropriately processing the County payroll. Thank you for the opportunity to respond; as an elected official of Galveston County, I strive to make certain all duties under my control are done in a manner which the citizens of Galveston County would approve.

Feel free at any time to speak with myself or my staff regarding responsibilities of the Galveston County Treasurer's Office.

Again, thank you for the in-depth review and positive report of reliability, safeguarding, and compliance.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin C. Walsh".

Kevin C. Walsh, CPA

Galveston County Treasurer