

# GALVESTON COUNTY



## Office of County Auditor

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May 10, 2016

Honorable Mark A. Henry, County Judge, 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 Galveston County Treasurer's Office. The audit covered the period February 1, 2015 through January 31, 2016. Also attached is the response letter from Honorable Kevin Walsh, dated March 14, 2016.

Sincerely,

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

Randall Rice CPA  
County Auditor

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

# Executive Summary

## Reliability and Integrity of Information (page 3)

- There is adequate separation of duties within the office.
- All electronic fund transfers (EFT's) tested contained support documentation and were approved by the County Treasurer.

## Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.
- The Treasurer's Office reconciles daily the amounts of the cash receipts to the amounts on the 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.
- Collections are being deposited in compliance with LGC §113.022 Time for Making Deposits.

# Introduction

The Internal Audit Division conducted an internal audit of the Galveston County Treasurer's Office, as required by Local Government Code §115.0035. The internal audit covered the period February 1, 2015 through January 31, 2016. The audit was performed from February 3, 2016 through February 25, 2016.

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.

Madeline Walker, Compliance Audit Team Lead, 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.

## **Separation of Duties**

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 Treasurer's Office has instituted procedures to separate the custody of the assets from the recording and authorization functions. There is an effective separation of duties.

## **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 Treasurer's 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 transferring the funds 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 adequate support documentation and were approved by the County Treasurer.

# 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 February 3, 2016. All collections were accounted for at the time of the surprise cash count.

Controls are in place to ensure staff uses a lockable safe to safeguard their collections in the office until deposited. The safe remains locked when not in use.

## 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 ONESolution cash receipts to the amounts on the 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 also responsible for completing at least 20 hours annually of training related to the Public Funds Investment Act.

The Investment Officer has issued quarterly investment reports for the audit period and the County Treasurer has satisfied all training requirements.

## **Daily Collections**

LGC §113.022 Time for Making Deposits requires that county funds be deposited "on or before the fifth business day after the day on which the money is received". It is the policy of the Treasurer's Office to deposit daily.

The Treasurer's Office is in compliance with LGC §113.022 Time for Making Deposits.



THE COUNTY OF GALVESTON  
OFFICE OF THE COUNTY TREASURER  
COUNTY COURTHOUSE  
722 MOODY, 4TH FLOOR  
GALVESTON, TEXAS 77550

March 14, 2016

Re: County Treasurer's Office Internal Audit Covering, February 2015-January 2016

I have received and accept all findings in the internal audit report that covered the period of February 1, 2015-January 31, 2016. 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 assistant, Crystal Cooper 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 "K. Walsh".

Kevin C. Walsh, CPA

Galveston County Treasurer