

# GALVESTON COUNTY



## Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor  
Kristin Bulanek CIA, First Assistant County Auditor

P.O. Box 1418, Galveston, Texas 77553

(409) 770-5304

722 Moody Ave 4<sup>th</sup> Floor, Galveston, TX 77550

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April 25, 2017

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 the Galveston County Treasurer's Office. The audit covered the period February 1, 2016 through January 31, 2017. Also attached is the response letter from Kevin Walsh, dated March 31, 2017.

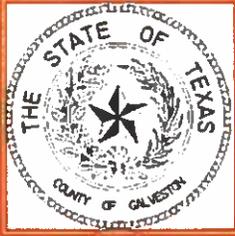
Sincerely,

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

Randall Rice CPA  
County Auditor

cc: Kevin Walsh

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



# Galveston County Treasurer's Office Audit

February 17, 2017

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)

- There is effective separation of duties within the office.
- All electronic fund transfers (EFT's) tested contained support documentation and were accurately recorded in ONESolution.

## 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.

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

- Investment reports for quarter 2 and quarter 4 of fiscal year 2016 were submitted outside the timeframe allowed by the 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, in accordance with Local Government Code §115. The internal audit covered the period February 1, 2016 through January 31, 2017. The audit was performed from February 6, 2017 through February 17, 2017.

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 the EFT must be recorded accurately in ONESolution. 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. As an additional control, all EFT's are reviewed by the County Auditor's Office.

All EFT's tested had adequate support documentation and were recorded accurately in ONESolution.

# 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 6, 2017. 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 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 ONESolution cash receipts, including EFT's, daily to the bank. The Auditor's Office Accounting Division performs monthly four column proof of cash bank reconciliations.

# Compliance with Statutes, Policies and Procedures

## County Investment Policy

The County 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 County Treasurer, as the Investment Officer is up to date on all required training.

**Finding:** Investment reports for quarter 2 and quarter 4 of fiscal year 2016 were submitted outside the timeframe allowed by the Investment Policy.

**Recommendation TO-17-01:** All quarterly investment reports should be submitted within the timeframe allowed by the Investment Policy. The Investment Policy was revised as of 2/27/2017, extending the reporting deadline to within 180 days of the end of the reporting period.

## Daily Collections

Local Government Code (LGC) §113.022 Time For Making Deposits states a county officer or other person who receives money shall deposit the money 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 officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received.

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

409-770-5395  
FAX: 409-765-3140  
kevin.walsh@co.galveston.tx.us



722 MOODY STREET  
4TH FLOOR  
GALVESTON, TEXAS 77550

## KEVIN C. WALSH, C.P.A.

COUNTY TREASURER  
COUNTY OF GALVESTON

March 31, 2017

Re: County Treasurer's Office Internal Audit Covering, February 1, 2016-January 31, 2017

I have received and accept all findings in the internal audit report that covered the period of February 1, 2016-January 31, 2017. 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. I take pride in my staff's ability to efficiently reconcile all major bank account transactions on a daily basis, along with properly processing Galveston County's payroll.

In response to your audit findings, during the year of 2016 my office was short staffed for 4 months out of the year therefore 2 investment reports were submitted later than desired. Additionally, my office took on a huge payroll project and successfully converted payroll to a paperless system. I'm proud to say with being one of the smaller core offices of the County, I'm pleased my staff was able to accomplish such an enormous goal to better serve the employees of Galveston County while providing fiscal compliance.

Feel free at any time to speak with myself or my assistant, Crystal Cooper regarding any matters that relate to Galveston County Treasurer's Office.

Again, thank you for the in-depth review and positive feedback 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