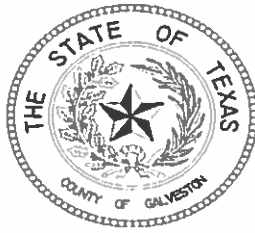


GALVESTON COUNTY



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 4th Floor, Galveston, TX 77550

December 2, 2019

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:

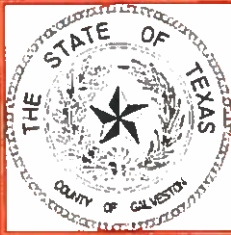
Attached to be received and filed is the internal audit report of the Department of Parks and Cultural Services. The audit covered the period September 1, 2018 through August 31, 2019. Also attached is the response letter from Julie Diaz, dated November 12, 2019.

Sincerely,

Randall Rice CPA
County Auditor

cc: Julie Diaz

Attachment: Department of Parks and Cultural Services Audit Report
Response Letter, Julie Diaz



Department of Parks and Cultural Services Audit

October 10, 2019

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)

- Compensating controls have been implemented in different areas of the department to ensure a proper separation of duties.
- Adequate controls are in place to properly monitor and control the distribution and sales of Bolivar Beach parking stickers.
- No material exceptions were noted in the review of security deposits received and disbursed.

Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.
- Money collected from the sale of parking stickers is secured in a safe until ready for deposit.

Compliance with Statutes, Policies and Procedures (pages 5-6)

- Collections were deposited in compliance with LGC §113.022.
- The department should review the beach vendors' general liability insurance policies to ensure Galveston County is listed as an additionally insured party. Furthermore, the Bolivar Beach Vending Permit Policy should be updated with the current insurance requirements.
- No material exceptions were noted in the review of concession agreements with the county.
- The department should pursue the collection of the daily rate fees from League City Little League.
- The department should review the athletic user groups' general liability insurance policies to ensure Galveston County is listed as an additionally insured party. Furthermore, the agreements should be updated with the current insurance requirements.

General Information (pages 7-8)

- Revenue from facility use fees has decreased over the last several years, largely due to Hurricane Harvey. Total facility use collections for FY2019 were \$126,241.
- Revenue generated from the sale of beach parking stickers has decreased 5.4%, and the expenditures have increased 91.6% since last fiscal year. The increase in expenditures is largely due to the Bolivar Beach Pavilion project and the purchase of fixed assets for the program.

Introduction

The Internal Audit Division conducted an internal audit of the Department of Parks and Cultural Services, in accordance with Local Government Code §115. The internal audit covered the period September 1, 2018 through August 31, 2019. The audit was performed from September 3, 2019 through October 10, 2019.

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 Department of Parks and Cultural Services. The internal audit included, but was not limited to, the books, accounts, reports and records of the Department of Parks and Cultural Services.

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 Department of Parks and Cultural Services as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Lillian Arredondo, 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.

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.

A proper separation of duties is sometimes difficult to establish due to the size of staff and budgetary constraints; however, there are compensating controls that have been implemented in different areas of the department.

Bolivar Beach Parking Sticker Program

The Bolivar Beach Parking Sticker Program (BBPSP) generates revenue through the sale of parking stickers for vehicles and golf carts. The stickers are numbered and color coded for each fiscal year. Parking sticker sales are recorded and reconciled on daily reports filled out by each individual seller. The daily reports serve as support to the deposit warrants and as a means for assuring parking sticker numbers and receipt numbers are not skipped. The Beach Sticker Supervisor reconciles the daily reports of stickers sold to the sticker inventory. No material discrepancies were detected in the review of the BBPSP collections.

Security Deposits

Some of the facility rentals require a security deposit to be paid in advance. The security deposits are deposited in the county demand account and recorded in a liability account in the general ledger. After the event is over, a department employee performs a 'walk through' evaluating the condition of the facility. The security deposit is either refunded to the customer or retained by the county to pay for damages. The department uses a 'Security Deposit Tracker' to monitor the security deposits from receipt to disbursement. No material exceptions were noted in the review of security deposits received and disbursed.

Safeguarding of Assets

Physical Security - Collections

Depositing daily is one of the best safeguards of assets (collections) as well as providing the county with maximum benefit of the collections.

As part of the audit, a surprise cash count was conducted on September 3, 2019 at the Crystal Beach office. On September 5, 2019, an additional surprise cash count was conducted at the La Marque office. All cash was accounted for at the time of the surprise cash counts. Controls are in place to ensure staff uses a lockable drawer (or locker) to safeguard collections during the day and secures the funds in a safe until they are ready for deposit.

Bolivar Beach Parking Sticker Revenue

Approximately thirty-two percent of the parking stickers are sold on the beach by part-time employees. The employees count each other's collections during close-out each work day and secure the money in the combination drop-safe located in the Road & Bridge Office in Crystal Beach. Only authorized personnel have access to the safe. The Beach Sticker Supervisor or the Beach Sticker Assistant collects the revenue from sticker sales and prepares the bank deposit slips. The money remains in the safe until ready for deposit. During peak season (March-August), a Galveston County Sheriff Deputy picks up the revenue from sticker sales and delivers the money to the bank in a locked bank bag. During the remainder of the year, the Beach Sticker Supervisor or the Beach Sticker Assistant delivers the money to the bank in a locked bank bag.

Compliance with Statutes, Policies and Procedures

Timeliness of Deposits

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. A sample of deposits was tested for compliance with LGC §113.022. No exceptions were noted.

Bolivar Beach Vending Permit Policy

The Bolivar Beach Vending Permit Policy requires each vendor to complete an application and provide the following information:

- Proof of vehicle liability insurance
- Proof of general liability insurance
- Galveston County Health Certificate (when applicable)
- Color photographs of the vehicle or structure used for vending purposes
- Sales tax number
- Building permit (when applicable)
- Certificate of Assumed Name
- \$100 application fee – for each vending location

Beach Vending Permits are issued for two vending seasons. Each year vendors must pay a yearly operating fee to the county prior to the vending season (March through September). The operating fee is determined by the location of the zone and the number of zones in which the vendor is operating. The Beach Sticker Supervisor collects application and operating fees from beach vendors and then forwards the collections to the Auditor's Office for deposit. Beach vendor permits were reviewed to ensure all fees and required information were in compliance with the Bolivar Beach Vending Permit Policy.

Finding: Beach vendors were found to not have Galveston County listed as an additionally insured party on their general liability insurance policy.

Recommendation PARKS-19-05: The department should review the beach vendors' general liability insurance policies to ensure Galveston County is listed as an additionally insured party. Furthermore, the Bolivar Beach Vending Permit Policy should be updated with the current insurance requirements.

Compliance with Statutes, Policies and Procedures (cont.)

Concession Agreements

Concession Agreements between the County of Galveston and an individual or group of individuals stipulates the guidelines for operating certain county owned entities. The concession agreement states the effective dates of the contract, the amount and type of insurance required and the operating fees. The concession agreements were reviewed to ensure the concessionaires are in compliance with their contracts. No material discrepancies were noted.

Athletic User Group Agreements

Athletic User Group Agreements are similar to the Concession Agreements. The agreement states the effective dates of the contract and the amount and type of insurance required. Athletic user groups are given the option to choose between paying a daily rate for a field, the monthly utility bills for a field or to not pay any fees and maintain the fields used. The requirements for these types of arrangements are provided in the agreements. The athletic user group agreements were reviewed to ensure the user groups are in compliance with their contracts.

Finding: As of the date of this report, League City Little League is not current on paying daily rate fees for the use of fields, per their agreement.

Recommendation PARKS-19-06: The department should pursue the collection of the daily rate fees from League City Little League.

Finding: Athletic user groups were found to not have Galveston County as an additionally insured party on their general liability insurance policy.

Recommendation PARKS-19-07: The department should review the athletic user groups' general liability insurance policies to ensure Galveston County is listed as an additionally insured party. Furthermore, the agreements should be updated with the current insurance requirements.

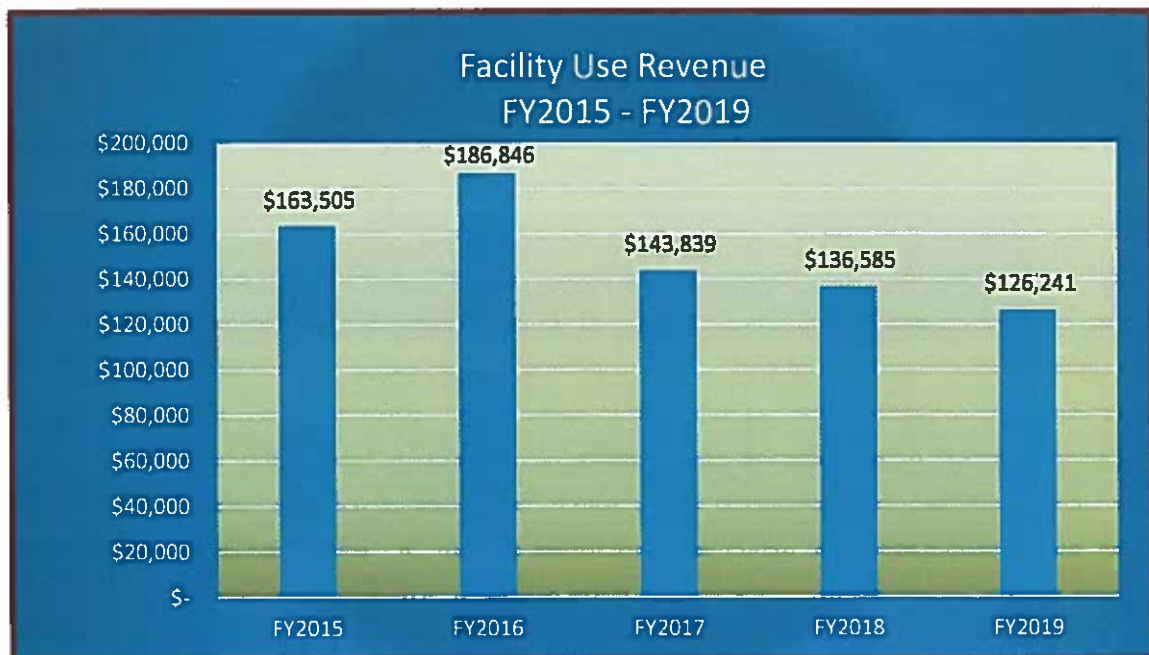
General Information

Facility Use Fees

The Department of Parks and Cultural Services has 11 parks and facilities available for rent. The following reflects the FY2019 revenue generated for each location:

Walter Hall Park	\$	81,416	64%
Runge Park	\$	11,166	9%
Bayside Regional Park	\$	10,074	8%
Dickinson Community Center	\$	9,190	7%
Jack Brooks Park & Arena	\$	6,358	5%
Carbide Park	\$	5,825	5%
Bayshore Park	\$	1,688	1%
Paul Hopkins Park	\$	364	0%
Lobit Park	\$	160	0%
Gregory Park	\$	-	0%
Fort Travis Park	\$	-	0%
Total	\$	126,241	100%

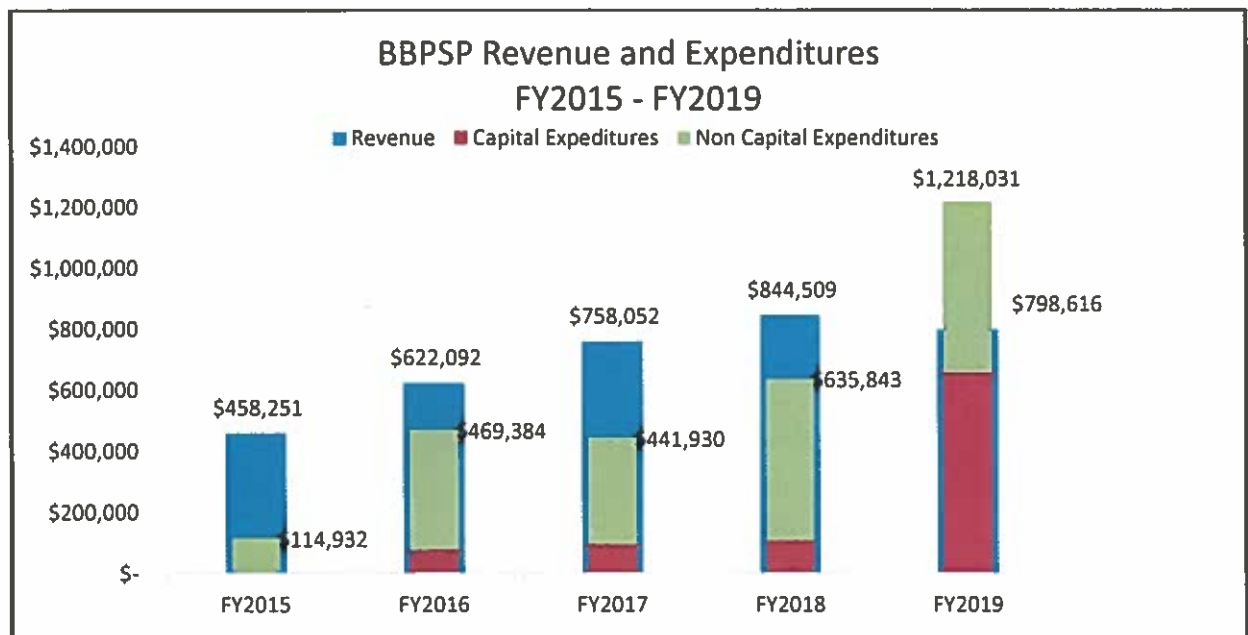
As a whole, revenue from facility use fees has decreased over the last several years, largely due to Hurricane Harvey. The following chart represents the revenue generated through facility use fees from FY2015 through FY2019:



General Information (cont.)

Bolivar Beach Parking Sticker Program (BBPSP)

The Bolivar Beach Parking Sticker Program was implemented on January 1, 2007. Revenue generated from the sale of beach parking stickers has decreased 5.4%, and the expenditures have increased 91.6% since last fiscal year. The increase in expenditures is largely due to the Bolivar Beach Pavilion project and the purchase of fixed assets for the program. The following chart represents the revenue and expenditures from the BBPSP from FY2015 through FY2019:





COUNTY of GALVESTON
Department of Parks & Cultural Services

4102 Main Street (FM 519) • La Marque, Texas 77568

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www.galvestoncountytx.gov

November 12, 2019

Randall Rice CPA County Auditor
The County of Galveston
County Auditor's Office
P. O. Box 1418
Galveston, Texas 77553

RE: Department of Parks and Cultural Services, FY19 Audit

Dear Mr. Rice,

The purpose of this letter is to present the Department of Parks and Cultural Services response to your office's internal audit received on November 7th, which was conducted for September 1st, 2018 through August 31st, 2019.

Compliance with Statutes, Policies, and Procedures

Bolivar Beach Vending Permit Policy

Finding: Beach vendors were found not to have Galveston County listed as an additionally insured part on their general liability insurance policy.

Recommendation PARKS-19-05: The department should review the beach vendors' general liability insurance policies to ensure Galveston County is listed as an additionally insured party. Furthermore, the Bolivar Beach Vending Permit Policy should be updated with the current insurance requirements.

Response: The Beach Sticker supervisor will verify each beach vending permit holder's insurance annually to ensure compliance. Also, at the next available Commissioners' Court meeting, the Parks Department will have the Beach Vending Policy on the agenda to be updated with current insurance requirements.

Athletic User Group Agreements

Finding: As of the date of this report, League City Little League is not current on paying daily rate fees for the use of the fields, per their agreement

Recommendation PARKS-19-06: The department should pursue the collection of the daily rate fees from League City Little League.

Response: The Parks Department has been in contact with League City Little League about the outstanding fees. On October 31st, 2019 they confirmed the payments had not been made due to some special extenuating circumstances. The league president stated they should have the checks ready on November 19th, 2019, after their November 18th board meeting. If we do not receive payment by November 30th, we will be sending an official demand letter with an agreement cancellation and they will not be able to utilize the fields any longer.

Finding: Athletic user groups were found to no have Galveston County as an additionally insured party on their general liability insurance policy.

Recommendation Parks-19-07: The department should review the athletic user groups' general liability insurance policies to ensure Galveston County is listed as an additionally insured party. Furthermore, the agreements should be updated with the current insurance requirements.

Response: During the last year, we have had some staff changes and the user group agreements have been passed around from person to person. With the recent hire of the new assistant director, the user group agreements will be

managed more closely and an annual meeting will be set up with each user group to ensure compliance, payments, and open communication. This should resolve the issues.

Also, section XII of each user group agreement states the insurance requirements and section 12.3 gives specifics for amounts and that Galveston County should be listed as an additionally insured. I am not sure what else would need to be added to this section.

We appreciate the work done on this audit and would like to thank Lillian Arredondo from the Auditor's office for her professionalism and guidance through the process.

Thank you,



Julie Diaz
Director
Galveston County Parks & Cultural Services
409-934-8114
Julie.diaz@co.galveston.tx.us
