

GALVESTON COUNTY



Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor
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February 24, 2020

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 Galveston County Treasurer's Office. The audit covered the period June 1, 2018 through May 31, 2019. Also attached is the response letter from Kevin Walsh, dated February 4, 2020.

Sincerely,

Randall Rice CPA

Digitally signed by Randall Rice CPA
DN: cn=Randall Rice CPA, o=Galveston County, ou=County
Auditor, email=randall.rice@co.galveston.tx.us, c=US
Date: 2020.02.14 10:55:25 -06'00'

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

August 22, 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 (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. The Auditor's Office Accounting Division performs the monthly bank reconciliations for this office.

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

- The office did not submit the Investment Policy to Commissioners Court at least annually, as required by Government Code §2256.005.
- The governing body did not adopt a written instrument stating it has reviewed the investment policy and investment strategies, as required by Government Code §2256.005.
- The County Treasurer, as the Investment Officer, and the Chief Financial Officer are in compliance with Government Code §2256.008 and the county's Investment Policy regarding investment training.
- The Treasurer's Office is not consistently submitting quarterly investment reports within the timeframe allowed by the Investment Policy.
- The office did not submit the list of qualified brokers to the Commissioners Court at least annually, as required by Government Code §2256.025.
- 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 June 1, 2018 through May 31, 2019. The audit was performed from June 4, 2019 through August 22, 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 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.

Jordan Guss, Internal Audit Supervisor, 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.

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, the auditor conducted a surprise cash count on June 5, 2019. 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 the amounts of the ONESolution cash receipts to the amounts on the online bank statements daily 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

Government Code §2256.005 Investment Policies, Strategies and Investment Officer

Government Code §2256.005 requires the governing body of an investing entity to adopt a written investment policy regarding the investment of its funds and funds under its control. The investment policy must, at a minimum, emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and methods to monitor the market price of investments acquired with public funds. The policy must be reviewed not less than annually by the governing body. The governing body shall adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

The County of Galveston Investment Policy was initially adopted on November 13, 1997. Prior to the audit, the latest revision (14th) was adopted by Commissioners Court on February 27, 2017. On August 12, 2019, the Treasurer's Office submitted the 15th revision to Commissioners Court for review.

Finding: The office did not submit the Investment Policy to the Commissioners Court at least annually.

Recommendation TO-19-01: To ensure compliance with Government Code §2256.005, the department should submit the county's Investment Policy to Commissioners Court for review at least annually.

Finding: The governing body did not adopt a written instrument stating it has reviewed the investment policy and investment strategies.

Recommendation TO-19-02: To ensure compliance with Government Code §2256.005, the governing body should adopt a written instrument stating it has reviewed the investment policy and investment strategies.

Government Code §2256.008 Investment Training; Local Governments

Government Code §2256.008 requires the Treasurer, the Chief Financial Officer and the Investment Officer of a local government to attend at least one training session not less than once in a 2 year period and receive not less than 10 hours of instruction relating to investment responsibilities under the Public Funds Investment Act. Training must be provided by an independent source approved by Commissioners Court or the county's Investment Committee.

The County of Galveston Investment Policy §III Investment Objectives for All Fund Strategies requires the County Treasurer to attend an investment training session not less than once in a 2 year period and receive not less than 10 hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by the Commissioners Court or the county's Investment Committee.

The County Treasurer, as the Investment Officer, and the Chief Financial Officer are in compliance with Government Code §2256.008 and the county's Investment Policy.

Compliance with Statutes, Policies and Procedures (cont.)

Government Code §2256.023 Internal Management Reports

Government Code §2256.023 states “Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period. The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.”

The County of Galveston Investment Policy requires the Investment Officer to submit to Commissioners Court a signed quarterly investment report for all funds for the preceding reporting period. Each report should be submitted within 180 days of the end of the reporting period.

Finding: The Treasurer’s Office is not consistently submitting quarterly investment reports within the timeframe allowed by the county’s Investment Policy.

Recommendation TO-19-03: To ensure compliance with the Investment Policy, the Treasurer’s Office should submit quarterly investment reports within 180 days of the end of the reporting period. It is further recommended the policy be revised back to the previous requirement to submit quarterly investment reports within 90 days of the end of the reporting period to ensure the reports provided are useful to the governing body.

Government Code §2256.025 Selection of Authorized Brokers

Government Code §2256.025 requires the governing body to, at least annually, review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Prior to the audit, the most current list of qualified brokers was approved by Commissioners Court on November 20, 2017. On August 12, 2019, the Treasurer’s Office submitted an updated list of qualified brokers to Commissioners Court for approval.

Finding: The office did not submit the list of qualified brokers to the Commissioners Court at least annually.

Recommendation TO-19-04: To ensure compliance with Government Code §2256.025, the department should submit the list of qualified brokers to Commissioners Court for review and approval at least annually.

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.

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

GALVESTON COUNTY



KEVIN C. WALSH, CPA
COUNTY TREASURER

CRYSTAL COOPER, CIO
ASSISTANT COUNTY TREASURER

TREASURER'S OFFICE
722 MOODY 4TH FLOOR
GALVESTON, TX 77550
409-770-5395

February 4, 2020

To: Randall Rice, CPA

Re: Treasurer's Office Internal Audit Report

Thank you for the opportunity to respond to the audit report covering the time period of June 1, 2018 to August 22, 2019. The findings in the audit report are true and accurate; I would like to thank my staff for their hard work and attention to matters of the Treasurer's Office. The goal of the Treasurer's Office is to provide precise and timely payroll, properly coordinate banking activities and securely invest the funds of Galveston County. Although your findings show there were two quarterly reports submitted later than expected and a yearly policy update that did not post until later than required, I'm working to fill an open position in my office currently and at the time of the audit sample I was short staffed and implementing a county wide software that required countless hours of my staff time. Moving forward I plan to submit reports in a timely manner along with documenting all aspects of quarterly meeting minutes.

As stated in the audit report all funds and investments are secure and properly handled according to Local Government Codes 113.022, 2256.005-2256.008 and 2256.023.

Thank you and your staff for your time during the audit process.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin C. Walsh", written in a cursive style.

Kevin C. Walsh, CPA
Galveston County Treasurer