

State of Texas

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County of Galveston

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Interlocal Governmental Agreement for Financial Audit & Consulting Services

THIS INTERLOCAL AGREEMENT (the "Agreement") is made and entered into as of the ____ day of _____, 2025, by and between **GALVESTON COUNTY**, a political subdivision of the State of Texas (the "County"), and **GALVESTON COUNTY HEALTH DISTRICT**, a public health authority established under Texas law (the "District"). The County and the District may be collectively referred to as the "Parties" or individually as a "Party."

WHEREAS, the Parties are authorized to enter into this Agreement according to Chapter 791 of the Texas Government Code (the "Interlocal Cooperation Act"); and

WHEREAS, the Parties desire to enter into this Agreement to establish the terms and conditions under which the County will provide financial audit and consulting services for the Health District; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

1. Purpose Of Agreement

The purpose of this Agreement is to outline the terms under which the County will provide financial audit and consulting services to the Health District.

2. Scope of Services

The Health District agrees to engage an auditing/accounting firm to provide the following:

- a. Conduct financial audits as required by applicable laws and regulations;
- b. Provide consulting services related to financial management and compliance matters; and
- c. Deliver reports and recommendations based on audit findings.

3. Consideration

The County shall pay the Health District for the services rendered under this Agreement.

- a. Per the fee schedule attached hereto as Exhibit A.
- b. Payments shall be made under Government Code Chapter 2251, commonly referred to as the Prompt Pay Act.

4. Term and Termination

- a. This Agreement shall commence on the Effective Date and shall continue for one (1) year, unless terminated earlier by either party upon thirty (30) days' written notice to the other party.
- b. Either Party may terminate this Agreement for any reason upon thirty (30) days written notice to the other Party.
- c. In the event of termination, the County shall remain liable for payment for all services rendered up to the effective date of termination.
- d. This Agreement may be renewed upon mutual agreement of the Parties.

5. Governing Law

- a. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

6. Miscellaneous Provisions

- a. **Entire Agreement:** This Agreement constitutes the entire understanding between the Parties and supersedes all prior agreements, understandings, and negotiations.
- b. **Amendments:** This Agreement may be amended only in writing signed by both Parties.
- c. **Severability:** If any provision of this Agreement is held to be invalid or unenforceable, the remaining provisions shall continue in full force and effect.
- d. **Notices:** All notices required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally, electronically (e-mail) or sent by certified mail, return receipt requested, to the addresses set forth below:

To County:

Galveston County
Attn: County Judge
722 Moody Ave., 2nd Floor
Galveston, TX 77550
Mark.henry@co.galveston.tx.us

To District:

Galveston County Health District
Attn: Chief Executive Officer
9850 Emmett F. Lowry Expressway
Texas City, TX 77591
pkeiser@gchd.org

Signature page follows

IN WITNESS WHEREOF, the Parties hereto have executed this Interlocal Agreement as of the date first above written.

County of Galveston, Texas

Galveston County Health District

Mark Henry, County Judge

Philip Keiser, Chief Executive Officer

Attest:

Dwight D. Sullivan, County Clerk

Exhibit A – Whitley Penn Engagement Letter

June 12, 2025

To the United Board of Health &
Management
Galveston County Health District
9850 Emmett F. Lowry Expressway
Texas City, TX 77591

Dear Mr. Drummond and Ms. Cable,

This serves as an amendment to our initial engagement letter, which was executed on March 27, 2025. We have completed certain items from our initial scope of work as listed below:

1. Conducted internal control walkthroughs with various areas and provided recommendations.
2. Management's Discussion and Analysis based on the 2023 audit report provided by the external auditors.
3. Reviewed the 2023 audit report and provided feedback to management.
4. Duplicate vendors identification
5. Prepaid reconciliations – both insurance and expense items
6. Unearned revenue
7. County revenue
8. Certain payroll liabilities
9. Reviewed certain Accounts Receivable accounts with management and determined no further adjustment was needed. (Accounts 1105, 1106, 1107 and 1108). The District will reclassify clean up entries posted in May 2025 to fiscal year 2024.
10. Management provided Whitley Penn with the ability to propose entries for management review to assist with expediting the reconciliation process.
11. Provided guidance to the District to set up its government access with the Texas Comptroller's account, which will allow the District to confirm receipt of payment from various state grantors for both federal and state grants.

To the United Board of Health &
Management

As of June 12, 2025, our amended scope of work, at the request of the District, shall be as follows:

1. Record all audit journal entries from the 2023 audit reports and ensure that the beginning balances for fiscal year 2024 agree to these figures.
2. Complete all review and propose entries of all account receivables for Accounts Receivable – System generated and Accrued Revenue.
3. Accounts Payable review and reconciliation to subledgers
4. Payroll liabilities for employee and employer insurance
5. Reconcile all federal and state grants for fiscal year 2024
6. Prepare the 2024 Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards to be used for the 2024 audit including review of applicable notice of grant awards for accuracy
7. Assist with any questions related to indirect cost allocation and negotiated indirect cost rate, if applicable.
8. Close fiscal year 2024 and ensure that beginning balances in 2025 agrees to these figures.
9. Review the 2025 balances and transactions in preparation for the fiscal year 2025 audit and assist with entries where needed
10. Assist the District with the preparation of the 2025 schedule of expenditures of federal and state awards
11. Assist with Patient Fees Revenue Reconciliation
12. Assist with GASB 101 Compensated Absences
13. Assist the District with analyzing data from 2023 through 2025 as it enters fiscal year 2026 on October 1, 2025.
14. Assist with budgeting and as deemed necessary by the District management.

We will continue to provide the Board and management with weekly status updates and meet frequently in-person or via TEAMS to ensure we are making progress and assisting the District's management as needed. Our pricing will be based on our standard rates, which vary by level. Our new estimated fee is \$175,000. However, we will provide a summary of milestones reached once we reach \$75,000, \$125,000, and \$150,000. Other than the scope of work all other stipulations in the previous engagement letter remain the same.

We thank you for the opportunity to assist the District with its accounting function and look forward to continuing this project.

Sincerely,



This letter correctly sets forth the understanding of Galveston County Health District

Signature

Title

Date