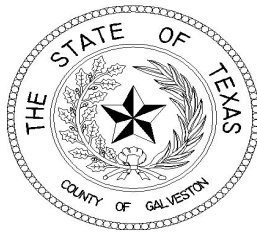


GALVESTON COUNTY



Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor
Madeline Walker CPA CFE, First Assistant County Auditor

P.O. Box 1418, Galveston, Texas 77553

(409) 770-5304

722 Moody Ave 4th Floor, Galveston, TX 77550

October 14, 2024

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 revised internal audit report of the County Engineering Department Audit that covered the period July 1, 2023 through June 30, 2024. Also attached is the response letter from Michael C. Shannon, County Engineer, dated September 13, 2024.

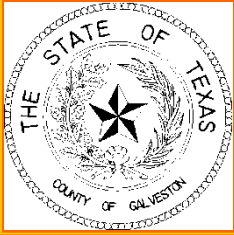
Sincerely,

Randall Rice CPA

Randall Rice CPA
County Auditor

cc: Michael C. Shannon, County Engineer

Attachment: County Engineering Department Revised Audit Report
Response Letter, Michael C. Shannon



County Engineering Department Audit

August 21, 2024

Galveston County
Internal Audit Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

Executive Summary.....	1
Introduction	2
Details	3-6

Executive Summary

Reliability and Integrity of Information (page 3)

- Controls are in place to ensure proper separation of duties.

Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.
- No exceptions were noted in the review of manual receipts.

Compliance with Statutes, Policies and Procedures (page 5)

- Collections were deposited in accordance with LGC §113.022.
- No material exceptions were noted in testing permit fees for compliance with the Floodplain Management Regulations.
- No exceptions were noted in the testing of refunds.
- No exceptions were noted in the testing of voided receipts.

General Information (page 6)

- The Engineering Department collects revenue for three divisions: Engineering, Floodplain Inspector, and Right-of-Way. Overall collections have decreased 13% from FY2019 to FY2023.

Introduction

The Internal Audit Division conducted an internal audit of the County Engineering Department, in accordance with Local Government Code (LGC) §115. The internal audit covered the period July 1, 2023 through June 30, 2024. The audit was performed from August 6, 2023 through August 21, 2024.

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 County Engineering Department. The internal audit included, but was not limited to, the books, accounts, reports and records of the County Engineering Department.

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 County Engineering Department as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Cynthia Hicks, 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 internal 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 Permit Technician collects permit fees and engineering fees for services rendered and records the transactions in the manual receipt book and receipt log. The receipts are totaled and submitted throughout the week. All payments are entered on the cash receipt in ONESolution. The Administrative Coordinator, Platting & Right-of-Way Agent, or Floodplain & Permitting Manager provides a signature of approval on the receipt log and the ONESolution batch report. The collections, along with proper support documentation, are sent to the County Clerk Treasury's Office for deposit.

The Engineer's Office has proper separation of duties.

Safeguarding of Assets

Safeguarding of assets has three basic components: 1) physical security of assets, 2) minimal exposure to loss, and 3) proper management of the assets.

Physical Security - Collections

Physical security encompasses any method to physically secure the collections from loss. Monies collected should be kept in a locked away until they are deposited.

As part of the audit, a surprise cash count was conducted on August 6, 2024. The County Engineering Department does not accept cash payments. Any payments made must be in the form of check, money order or credit card. Checks and money orders are restrictively endorsed immediately upon receipt.

Physical Security – Manual Receipts

A pre-numbered, county-issued manual receipt is provided for each check or money order payment. The receipts are filled out in triplicate with the original going to the customer and the copies remaining in the receipt book. When the receipt is filled out, the checks to be deposited are compared to the receipt book to reconcile receipts with collection totals. The receipt book is kept in a drawer, inaccessible to customers, at the front counter. The office is separated from the lobby by a locked door.

Compliance with Statutes, Policies and Procedures

The following areas were tested to provide reasonable assurance the office is in compliance with statutes, policies and procedures.

Timeliness of Deposits

LGC §113.022 Time For Making Deposits requires that money received shall be deposited “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 discrepancies were noted.

Court-Approved Fees

Floodplain permit fees collected by the County Engineering Department are contingent upon the Floodplain Management Regulations as required by the National Flood Insurance Act (Title 42). The County Engineering Department can collect these fees as approved by Commissioners Court and may not collect any amount that exceeds what is required.

No material exceptions were noted in the testing of court-approved fees.

Refunded Payments

Payments are refunded when an applicant is unable to provide all documents needed to continue processing the permit or if construction never began and the applicant will no longer be moving forward with construction. The permit fee will be refunded less any application fees.

No exceptions were noted in the testing of refunds.

Voided Receipts

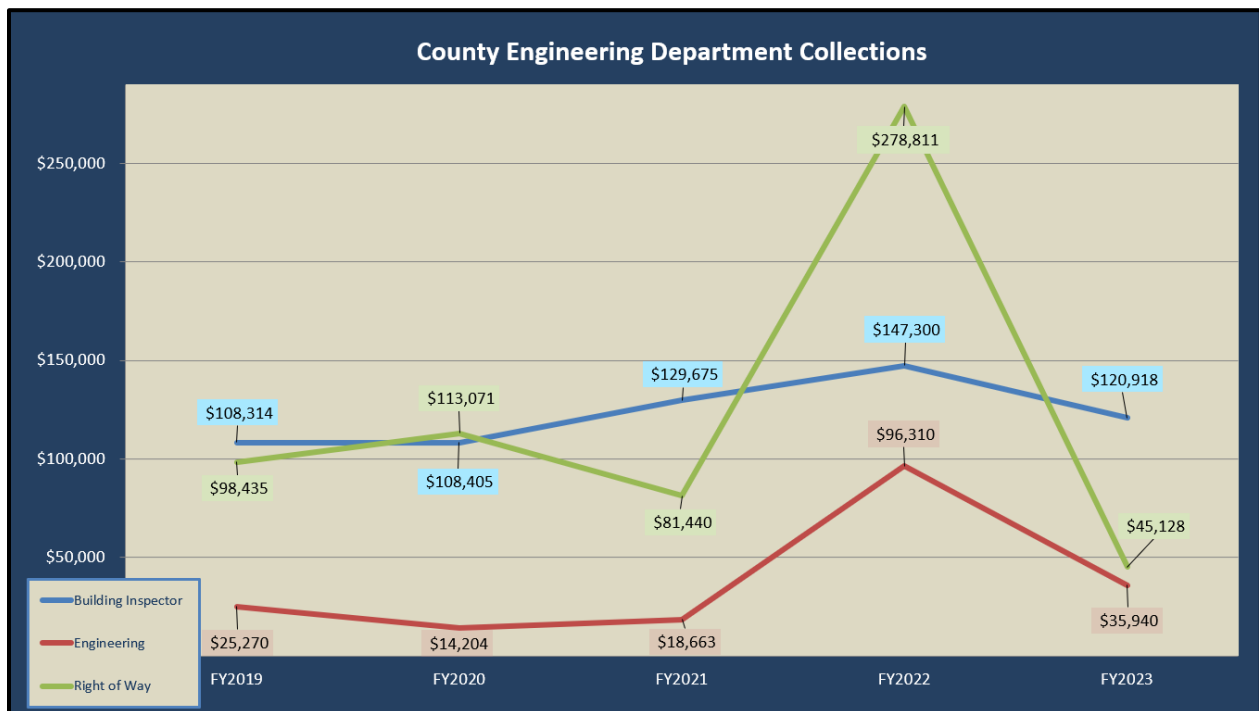
The County Engineering Department policy dictates all voided receipts must be approved by the County Engineer or an approved employee in his absence. Void is written across the receipt; the County Engineer, or approved employee sign the receipt and an explanation for the void is documented. All copies of the receipt are retained in the manual receipt book.

No exceptions were noted in the testing of voided receipts.

General Information

A five-year statistical analysis was performed on the revenue collected by the County Engineering Department FY2019 through FY2023. The data used in the analysis was obtained from ONESolution, the county's financial reporting system. The date range used for the report was October 1, 2019 through September 30, 2023. The department collects revenue for three divisions: Engineering, Floodplain Inspector and Right-of-Way. The analysis shows that Engineering collections have increased 42%, Floodplain collections increased 12%, and Right-of-Way collections decreased 54%. Overall collections have decreased 13%. The following charts illustrate revenue by fiscal year for the three divisions during the five-year fiscal year analysis:

	FY2019	FY2020	FY2021	FY2022	FY2023
Engineering					
Seawall/Levee Inspections	\$ -	\$ -	\$ -	\$ -	\$ -
Army Corp Reviews Reimb.	13,000	-	-	-	-
Road Opening Application Fee	-	-	250	-	500
Engineering Fees	12,270	14,204	18,413	46,310	35,440
TFm Grnt Mtch-Discretionary	-	-	-	50,000	-
	\$25,270	\$14,204	\$18,663	\$96,310	\$35,940
Floodplain Inspector					
Floodplain Permits	\$108,314	\$108,405	\$129,675	\$147,300	\$120,918
Right-of-Way					
Leases of ROW	\$42,865	\$42,865	\$42,865	\$175,973	\$9,725
Reimbursements From TXDOT	-	-	-	-	-
State Reimbursements	25,042	25,031	24,989	24,882	24,834
Encroachment and Abandonment	30,528	45,175	13,585	77,955	10,569
	\$98,435	\$113,071	\$81,440	\$278,811	\$201,986



MICHAEL C. SHANNON, PE, CFM
COUNTY ENGINEER



NANCY M. BAHER, PE
ASSISTANT COUNTY ENGINEER

THE COUNTY OF GALVESTON
Office of the County Engineer
722 Moody, Galveston, TX 77550
(409) 770-5552

September 13, 2024

Randall Rice, CPA
County Auditor
722 Moody, 4th Floor
Galveston, TX 77550

Re: County Engineering Department internal audit July 1, 2023 through June 30, 2024

Dear Mr. Rice:

I have received your draft internal audit report dated August 21, 2024. The audit indicated that adequate controls are in place, physical security of assets is adequate, and no exceptions were noted in compliance with statutes, policies, and procedures.

I have one correction. Reference in the Audit Report to "Building Permits" should be changed to "Floodplain Permits."

Thank you for your professionalism in conducting the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "MCS", is written over a light blue horizontal line.

Michael C. Shannon, PE, CFM
County Engineer