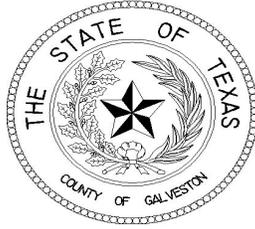


GALVESTON COUNTY



Office of County Auditor

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February 6, 2024

To: Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court

From: Mr. Randall Rice CPA
Galveston County Auditor

Re: FY 2024 Quarter 1 Continuous Monitoring
October 1, 2023 – December 31, 2023

The Galveston County Auditor's Office performs weekly, monthly and quarterly continuous monitoring activities to monitor financial transactions and to identify weak controls so they may be corrected or replaced, reducing the risks to the county. Continuous monitoring activities are in accordance with Local Government Code §115 Audit of County Finances. The continuous monitoring activities covered the period October 1, 2023 through December 31, 2023.

The primary objectives of continuous monitoring is to provide reasonable assurance concerning:

- Reliability and integrity of the information.
- Safeguarding of assets.
- Compliance with laws, regulations, contracts, policies, plans and procedures.

Continuous monitoring performed by the Auditor's Office is critical in preventing/detecting fraud. As the testing was not a detailed examination of all transactions, there is a risk that errors or fraud will not be detected during the review.

Continuous monitoring activities implemented by the Auditor's Office are focused on the ongoing testing of system controls and continued assurance that adequate support exists for critical changes that have occurred. There are several key areas in which continuous monitoring has been implemented.

General Ledger

The general ledger is the main accounting record of Galveston County. The main purpose of the general ledger system is to record financial activity of the county and to produce financial and management reports to assist individuals with decision making. Information recorded in the general ledger is transferred from accounts payable, accounts receivable, cash receipts, fixed assets and payroll. The general ledger further reflects changes made through journal entries completed by accounting staff. In addition, the general ledger is the central source for the Annual Comprehensive Financial Report.

General Ledger (cont)

The following tests are performed to detect errors in the general ledger:

- Out-of-Balance Transactions (Total credit amounts equaled total debit amounts)
- Transactions approved on weekends or holidays
- Accounts Payable Check/Electronic Funds Transfer and Payroll Check/Electronic Funds Transfer number sequencing
- Accounts Receivable number sequencing

Internal Audit reviewed the general ledger transactions made during the audit period:

- No out-of-balance transactions were detected in the general ledger.
- 171 transactions were approved on weekend days. These transactions were verified as approved by management.
- No discrepancies were noted in Accounts Payable Check/Electronic Funds Transfer or Payroll Check/Electronic Funds Transfer number sequencing.
- No material discrepancies were noted in Accounts Receivable number sequencing.

Vendor Master File Changes

The foundation of Galveston County's purchasing process is a three-way check system, designed to ensure segregation of duties and provide systematic controls. In any purchase made by the county, three departments are involved: (1) The receiving department, (2) Purchasing Department and (3) Accounts Payable. The receiving department submits purchase requests. The Purchasing Department maintains vendor master files in the financial system and ensures proper documentation has been completed and received by Purchasing. Accounts Payable receives and pays vendor invoices. Internal Audit reviews vendor master file data changes in critical fields to ensure business processes are followed and adequate documentation exists to support the change.

Internal Audit reviewed the vendor master file changes. During the audit period, 1,333 changes were made to fields designated as critical.

Finding: The following findings were detected during the audit:

- 2 data entry errors were made when vendor information was updated in the vendor master file. Purchasing was notified and the errors were corrected.
- Critical information changes were made to the vendor master file without adequate support documentation for 1 vendor during the audit period. Purchasing was notified and the issues were resolved.

Electronic Funds Transfer Verification

Beginning in June 2018, only authorized vendors were permitted to receive payments via Electronic Funds Transfer. Internal Audit performs a weekly test, prior to the Accounts Payable check file being released for payment, to ensure only authorized vendors have payment type 'Electronic Funds Transfer' recorded in the financial system. Internal Audit reviewed the vendor master file payment types for scheduled Accounts Payable payments during the audit period. No discrepancies were noted.

Conflict of Interest – Vendors

A conflict of interest exists when a reasonable member of the public with adequate information would believe a relationship between an active county employee and a county vendor is unacceptable and may inappropriately influence the county to make a decision that is not in the public interest. The conflict of interest test provides reasonable assurance that an employee of the county is not an active vendor for the county. No conflicts of interest were detected between active county employees and active vendors.

Internal Audit continues to work with Accounting, Accounts Payable and the Purchasing Department to monitor transactions with the intent to reduce errors and ensure effective internal controls are in place. We thank the staff of all three divisions for their cooperation.

Respectfully,

Randall Rice CPA

Randall Rice CPA
County Auditor

CC: Madeline Walker CPA, CFE, First Assistant County Auditor
Rufus Crowder CPPO, CPPB, Purchasing Agent
Lauren Swift, Accounting Division
Taylor Lee, Accounts Payable Division