



**A Report to the Galveston
City Council**

Mayor
Lewis Rosen

Council Members
Cornelia Banks
Rusty Legg
Elizabeth Beeton
Norman Pappous
Terrilyn Tarlton
Marie Robb

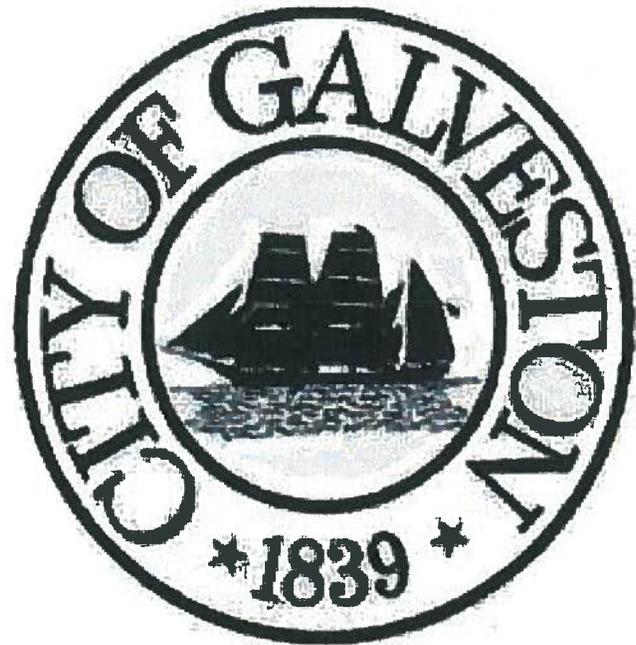
Office of the City Auditor

City Auditor
Glenn L. Bulgherini, CPA

Audit Report

Formalized Reporting Structure

September 5, 2013



Report Summary

The City of Galveston is in need of a Formalized Reporting Structure. The Formalized Reporting Structure would include two new management requirements: 1. Transcribing the internal controls, policies and procedures, city charter and code, and ethical requirements for each department within the City of Galveston. 2. Developing a system to monitor procedures via management checklist. The City's productivity should not suffer when implementing a formalized reporting structure.

**City of Galveston
Formalized Reporting Structure
City Auditor Executive Summary**

The purpose of this report is to call the attention of the Mayor and City Council on a much needed Formalized Reporting Structure for the City of Galveston. This formalized reporting structure would entail two new management requirements:

1. Transcribing the internal controls, policies and procedures, city charter and code, and ethical requirements (Also known as Standard Operating Procedures) for each department within the City of Galveston.
2. Developing a system whereby these written Standard Operating Procedures are monitored via management checklists and the results are correctly communicated to upper level management.

While the implementation of a formalized reporting structure is absolutely needed in the City of Galveston, the time and cost issues should always be considered when constructing a formalized reporting structure. The City's productivity should not suffer when implementing a formalized reporting structure. In other words, "do not spend dollars building something that will save a few pennies."

Scope

The scope of my procedures included research of twenty other municipalities written internal control frameworks found on the internet as well as written guides from publishers such as Copedia and Thomson Reuters. My fieldwork was conducted from July 5, 2011 through September 30, 2012.

City Auditor's Anticipated Results

The City Auditor's major anticipated results from this proposed Formalized Reporting Structure would include:

1. Validation from upper level management on the specific tasks to be accomplished by employees and supervisors.
2. A system of monitoring to detect significant deficiencies and material weaknesses on a timely basis and to communicate these significant deficiencies and material weaknesses to upper level management on a timely basis.
3. Provide greater confidence to the citizens of Galveston concerning accountability.
4. Decrease the possibility of overlooking procedures to be performed and allow the enhancement of departmental internal controls.

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5. Decrease the problems associated with employee turnover.

City Manager's Response

Many of the City's governmental functions have significant procedures, guidelines, checklists, and management directives. Most notably, these are focused in Police and Fire, which make up roughly 70% of the General Fund's budget. Elsewhere, the City is in various states of modernization and accountability.

The Finance Director has requested support to do a complete review of processes and procedures in her department. This area should be prioritized and work begun with the technical assistance of the Finance Committee and Auditor's office to bolster basic operational improvements. City management wholeheartedly supports Auditor's office support in this area and requests the City Council allow for this in the audit plan immediately.

Enterprise functions and governmental work in Public Works and Utilities are in need of assistance. As was stated in the Freese & Nichols review of the management of the Public Works and Utilities area, upper and middle level staff are still focused on disaster recovery actions for much of their time, leaving less time for basic maintenance and operational improvements. Audit support to utility operations would yield benefits, especially if these activities are robust enough to provide consulting level services to improve efficiencies, assist with the employment of technology and training, assist with reorganization recommendations, and validate additional staffing requests. Audit support will also be sought to support a second review of anticipated financial impacts for upcoming street maintenance and pavement management solutions. A review of the City's Capital Improvement Plan and its components is already underway and the anticipated recommendations to enhance project management and reporting with corresponding best accounting practices will strengthen the ability of the City to better manage the vast amount of projects it continues to undertake. Assistance is being requested from the Texas GLO to fund additional improvements and capacity building for project delivery and reporting.