



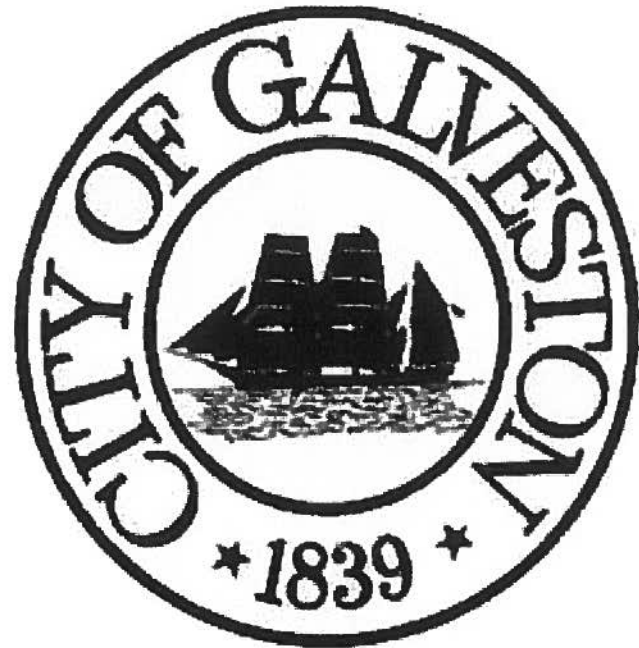
**A Report to the Galveston
City Council**

Special Events Report Traffic Division

March 2012

Mayor
Lewis Rosen

Council Members
Cornelia Banks
Rusty Legg
Elizabeth Beeton
Norman Pappous
Terrilyn Tarlton
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Office of the City Auditor

City Auditor
Glenn Bulgherini
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Report Summary

The Office of the City Auditor determined irregularities with overtime in the Traffic Department. The City Auditor recommended written procedures be implemented for service requests, work orders, monitoring reports, reconcile service requests with work orders, and hanging banners. The City Auditor recommended written policies regarding use of work vehicles, and conducting personal work for supervisors.



**SPECIAL EVENTS REPORT
TRAFFIC DIVISION AUDIT REPORT**

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**Special Events Report
For the Period Ended March 15, 2012
City Auditor Results**

The City Auditor's assistance was requested by the Public Works Department in a review of apparent irregularities with overtime inside the traffic division. Since the traffic division does provide services for special events, the City Auditor combined this request with an assessment to ensure that internal controls exist for special events associated with the City of Galveston. Deficiency #1 through #6 summarized in the results below pertain specifically to the traffic division normal operations. Deficiency #7 through #16 summarized in the results below pertain specifically to special events. This independent validation provides documentation to assist in supporting the City Manager and City Council's decision's to implement, alter, or terminate any internal controls for special events or the traffic division associated with the City of Galveston.

Fieldwork Performed

The City Auditor performed the following fieldwork procedures:

1. Flowcharted the flow of information for special events services.
2. Flowcharted the flow of information for the traffic division normal operations.
3. Interviewed appropriate city personnel and department heads.
4. Physically observed three major special events in the Strand area.

Scope

Utilizing the fieldwork procedures above, the City Auditor detailed 16 deficiencies. Each deficiency is detailed as to:

1. Condition.
2. Criteria.
3. Cause.
4. Effect.
5. City Auditor's Recommendation.
6. Views of Responsible Officials and Planned Corrective Actions.

The City Auditor may review these deficiencies in the future to determine if corrective action still remains implemented.

Summary of Results

1. Requests for service by the traffic division are not always logged in at the Public Works Department.

2. Work Orders do not exist for all services performed by the traffic division.
3. Monitoring reports do not always exist on jobs performed by traffic division in the Public Works Department.
4. Completed Work Orders from the traffic division do not always exist in the Public Works Department.
5. A reconciliation does not exist for requests to hang banners and fee collections for hanging banners.
6. There were no procedures in place to systematically and physically verify all overtime charges in the traffic division.
7. There were no written policies preventing city employees from taking city inventory to their personal residences without supervisor approval being obtained.
8. A sales tax check-in and check-out is not always in place for vendor booths before each major special event.
9. There was no physical observation reconciling vendor booths sales tax permits to Texas State Comptroller Enforcement check-ins and check-outs.
10. There was no written policies against hourly employees working at home without prior supervisory approval.
11. City employees could do personal work for their supervisors without the City Manager's approval.
12. Hourly employees were not prevented from using personal vehicles in the performance of their job duties without supervisor approval.
13. There was no formal management committee that manages major special events.
14. Controls were not performed to ensure city employees are not paid simultaneously for the same work times from special events and the City of Galveston.
15. Financial reporting from major special events was not received on a timely basis by the City of Galveston.
16. The general liability insurance limitations for major special events within defined entertainment areas was potentially inadequate.

DEFICIENCY #1

Deficiency: Requests for service by the traffic division were not always logged in at the Public Works Department.

Condition: Documentation for services to be performed were not always being turned into the Public Works Department by traffic division employees.

Criteria: Requests for services should be logged into the Public Works Department to ensure that all approved service requests is completed in a timely manner.

Cause: Written procedures were not in place for supervisory approval before a request for service from the Public Works Department could be performed.

Effect: The Public Works Department did not have an administrative control to ensure that all service requests are performed on a timely basis. All service requests for major special events is captured at the end of each event in a time consuming process on an excel spreadsheet by a supervisor. However, the practice of not receiving supervisory approval before a request for service is performed had carried on for non-special events.

City Auditor's Recommendation: Written procedures should be implemented that all requests for service from the Public Works Department be logged in and supervisory approval be obtained before that service request is performed.

Views of Responsible Officials and Planned Corrective Actions: *Eric Wilson – Assistant City Manager Public Works*

Public Works has issued a directive that all requests for Traffic Department services must be routed through the Administrative Office or, if after hours, the 30th Street Pump Station as are all other Public Works Divisions. If any employee receives a call or request from any source other than those two, the requestor is directed to contact one of the above. (Attached)

A superintendent has been assigned the duties of oversight of the traffic division to assure that there is an additional layer of supervision in the distribution and follow through for tasks to be performed by field personnel.

Division supervisors with "On Call" staff are by default giving consent for those persons to work overtime given the nature of the level of service that is required by the City.

DEFICIENCY #2

Deficiency: Work Orders did not exist for all services performed by the traffic division.

Condition: Work Orders for services performed by the traffic division were not always filled out by traffic division employees and turned into the Public Works Department.

Criteria: Work Orders should be required for all services performed by the Public Works Department in order to ensure that the correct work is approved and performed.

Cause: Written procedures were not in place requiring work orders to be submitted to the Public Works Department before the work was performed.

Effect: The Public Works Department will not have an administrative control to ensure that all service requests are performed correctly and appropriately and approved by a supervisor.

City Auditor's Recommendation: Written procedures should be implemented requiring work orders to be submitted to the Public Works Department before the work is to be performed.

Views of Responsible Officials and Planned Corrective Actions: *Eric Wilson – Assistant City Manager Public Works*

Refer to corrective action for finding number one (1). All calls for services for the traffic division are currently logged and dispatched by Public Works Administration or the 30th Street Pump Station (after hours) to the Streets Superintendent. That work is noted in the Accela system and kept open until the Administrative Offices are notified that the work has been completed.

DEFICIENCY #3

Deficiency: Monitoring reports did not always exist on jobs performed by traffic division in the Public Works Department.

Condition: Monitoring reports were not always maintained by the supervisor on crews performing work.

Criteria: Monitoring reports should always be maintained by a supervisor to ensure that the work is performed correctly and timely.

Cause: There were no written policies requiring monitoring reports from supervisors for jobs performed by the traffic division in the Public Works Department.

Effect: The absence of monitoring reports did not allow department heads to evaluate the quality and timeliness of the jobs performed by the work crews in the Public Works Department.

City Auditor's Recommendation: Written procedures should be implemented requiring monitoring reports for all jobs performed by all work crews in the Public Works Department.

Views of Responsible Officials and Planned Corrective Actions: *Eric Wilson – Assistant City Manager Public Works*

The City of Galveston Public Works/Municipal Utilities Departments are currently in the process of establishing a work flow and preparing an RFP for a Asset Management Tool to be incorporated into the GIS System. This would cover both inventory and assets ranging from WWTP, Water Pump Station, to pipe and water meters. Depending on funds available this could even be tied into the City's time management system.

DEFICIENCY #4

Deficiency: Completed Work Orders from the traffic division did not always exist in the Public Works Department.

Condition: Completed work orders were not always turned back in to the Public Works Department by the traffic division.

Criteria: Completed work orders should be turned back in to the Public Works Department so that department heads may establish that jobs are complete.

Cause: Written policies do exist that require work orders to be turned back in to the Public Works Department. However, these policies were not enforced.

Effect: The department heads for the Public Works Department were not able to establish that jobs have been completed by work crew in the traffic division.

City Auditor's Recommendation: Written policies should be enforced that require all work orders to be turned back into the Public Works Department on a timely basis. Administrative personnel for the Public Works Department could then reconcile the remitted work orders turned in after the jobs are completed to the service requests logged in before the jobs are approved to begin work.

Views of Responsible Officials and Planned Corrective Actions: *Eric Wilson – Assistant City Manager Public Works*

On January 23, 2012 the Traffic Division was reassigned to be under the supervision of the Streets Division Superintendent. At that time the work flow for all traffic division regular work was reorganized. All public service requests are routed through the Administrative Offices or the 30th Street Pump Station after normal business hours. As of March 22, 2012 this has yielded a total of 294 work orders for calendar year 2012 as compared to 329 for all of calendar year 2011. Current policies are being enforced.

DEFICIENCY #5

Deficiency: A reconciliation did not exist for requests to hang banners and fee collections for hanging banners.

Condition: Fees collected for hanging banners were not always collected on the first floor of City Hall.

Criteria: Requests for banners to be hung should be received online and fees for the collection of fees for hanging banners should be received on the first floor of City Hall.

Cause: There were no written policies requiring requests for banners to be taken online or fees for hanging banners be collected on the first floor of City Hall.

Effect: Requests for banners to be hung could not be fulfilled or fees for hanging banners could possibly not be collected.

City Auditor's Recommendation: Written policies should be implemented requiring requests for hanging banners be taken online and all fees due to the City of Galveston in connection with hanging banners be collected on the first floor of City Hall.

Views of Responsible Officials and Planned Corrective Actions: *Eric Wilson – Assistant City Manager Public Works*

The work flow for both banner application and payments has been transferred to the Public Works Administrative Office since January 23, 2012. Applications for banners will be posted to the City's website in the near future. Banners, application, and payments must be brought to the administrative office for processing. Field staff picks the banners up from the administrative office to hang, and return them to administrative office for pickup by the owner.

DEFICIENCY #6

Deficiency: There were no procedures in place to systematically and physically verify all overtime hours in the traffic division.

Condition: Overtime was accrued and paid directly from entries made in the City of Galveston's time system made by city employees.

Criteria: Overtime charges should be verified with physical observation from department heads to ensure overtime is necessary and valid.

Cause: There were no physical procedures to document the validity and necessity of overtime charges worked by city employees. The overtime was accrued and paid directly from entries made by city employees.

Effect: The City of Galveston could incur overtime charges that are not realistic or valid.

City Auditor's Recommendation: Physical observations should be performed by department heads on city employees performing work to ensure that overtime charges are necessary and valid.

Views of Responsible Officials and Planned Corrective Actions: Brian Maxwell – Assistant City Manager

Manager Request for service for any department for any special event should be coordinated by David Smith. No department should respond or participate in a special event without the knowledge of the Special Events Coordinator.

No department head or employee should coordinate directly with any other city department or service as it relates to special events. This is true of employees who are involved in local charities and such and need city services. Just eliminates conflict.

DEFICIENCY #7

Deficiency: There were no written policies preventing city employees from taking city inventory to their personal residences without supervisor approval being obtained.

Condition: City employees have been able to take city inventory to their personal residences without supervisory approval in the past.

Criteria: The City of Galveston should require supervisor approval before employees can take city inventory to their personal residences in order to safeguard the assets of the city and prevent waste.

Cause: There were no written policies against employees taking city inventory to their personal residences unless supervisor approval is obtained.

Effect: City inventory removed from the City of Galveston's premises to an employee's residence could inadvertently become lost or misplaced unless it is accounted for.

City Auditor's Recommendation: Written procedures should be implemented restricting city employees from taking city inventory to their personal residences without prior supervisory approval being obtained. This should be a city wide policy.

Views of Responsible Officials and Planned Corrective Actions: Brian Maxwell – Assistant City Manager

Agree to City Auditor's Recommendation.

DEFICIENCY #8

Deficiency: A sales tax check-in and check-out was not always in place for vendor booths before each major special event.

Condition: The Texas State Comptroller Enforcement Division was not notified before each major special event.

Criteria: A sales tax check-in and check-out is necessary before each major special event to ensure all vendors booths have a valid State of Texas sales tax permit and are reporting sales tax collected in the City of Galveston.

Cause: The Texas State Comptroller Enforcement Division has only recently made the information available on requesting a sales tax check-in and check-out for large major special events.

Effect: The City of Galveston was at risk for not receiving all of the sales tax it is entitled to receive. Although the actual sales tax numbers reported are not public information, a sales tax check-in and check-out ensures all vendors booths have valid sales tax permits and are reporting sales tax collected in the City of Galveston.

City Auditor's Recommendation: The City Auditor should implement written policies to contact the enforcement division of the Texas State Comptroller to ensure that a sales tax check-in will be in place for the event.

Views of Responsible Officials and Planned Corrective Actions: Brian Maxwell – Assistant City Manager

Agree to City Auditor's Recommendation.

DEFICIENCY #9

Deficiency: There was no physical observation reconciling vendor booths sales tax permits to Texas State Comptroller Enforcement check-ins and check-outs.

Condition: The possibility exists that vendor booths may avoid Texas State Comptroller Enforcement check-ins and check-outs to bypass any requirements to collect sales tax or obtain a sales tax permit.

Criteria: An interim physical observation at each major special event should be performed that will reconcile vendor booths sales tax permits to Texas State Comptroller Enforcement check-ins and check-outs to ensure that all vendors booths are accounted for during the event.

Cause: Past major special events that have contacted the Texas State Comptroller Enforcement Division have assumed that each vendor booths will check-in and check-out and not taken into consideration the possibility that some vendor booths may bypass the control and not check-in or check-out at all.

Effect: Vendor booths at each major special event could bypass the Texas State Comptroller Enforcement check-in and check-out and therefore bypass any requirements to collect sales tax.

City Auditor's Recommendation: The City Auditor should perform an interim physical observation at each major special event that will reconcile vendor booths sales tax permits to Texas State Comptroller Enforcement check-ins and check-outs to ensure that all vendor booths are accounted for during the event.

Views of Responsible Officials and Planned Corrective Actions: Brian Maxwell – Assistant City Manager

Agree to City Auditor's Recommendation.

DEFICIENCY #10

Deficiency: There were no written policies against hourly employees working at home without prior supervisory approval.

Condition: City employees have charged the City of Galveston with overtime charges while at home in the past.

Criteria: The City of Galveston should require supervisor approval before an hourly employee can work at home in order to ensure the adequacy of the employees work performed and prevent waste.

Cause: There were no written policies against hourly employees working at home without prior supervisory approval.

Effect: The City could be charged overtime for work not performed adequately or work not performed at all.

City Auditor's Recommendation: The City of Galveston should implement written procedures against hourly employees working at home without supervisor approval. This should be a city wide policy.

Views of Responsible Officials and Planned Corrective Actions: Brian Maxwell – Assistant City Manager

Agree to City Auditor's Recommendation.

DEFICIENCY #11

Deficiency: City employees could do personal work for their supervisors without the City Manager's approval.

Condition: City employees have done personal work for their supervisors in the past with considerable scrutiny from other city employees that do not do personal work for their supervisors.

Criteria: A supervisor of a department must retain the appearance to all of his/her employees that an equal and fair work environment exists in their department. This is crucial in obtaining quality work performance from all city employees.

Cause: There were no written policies that prevent city employees from doing personal work for their supervisors.

Effect: City employees performing personal work for their supervisors may give the impression to other city employees that the city employees performing the personal work for the supervisor are under the auspices of that supervisor. The likelihood of grievances to be filed will be greatly increased if this becomes a common occurrence.

City Auditor's Recommendation: Written policies should be implemented preventing employees from doing personal work for supervisors without the City Manager's approval. Also, it should be the responsibility of the supervisor to retain all necessary receipts for materials purchased in connection with that work. This should be a city wide policy.

Views of Responsible Officials and Planned Corrective Actions: Brian Maxwell – Assistant City Manager

Agree to City Auditor's Recommendation.

DEFICIENCY #12

Deficiency: Hourly employees were not prevented from using personal vehicles in the performance of their job duties without supervisor approval.

Condition: Hourly employees have been known in the past to use their own personal vehicles in the performance of their job duties for the city.

Criteria: Hourly employees should use city vehicles in the performance of their job duties to ensure adequate insurance coverage and allow their location to be monitored.

Cause: There were no written policies against hourly employees using personal vehicles in the performance of their job duties without supervisor approval.

Effect: Hourly employees using personal vehicles in the performance of their job duties will increase the city's liability risk as well as monitor the location of its employees.

City Auditor's Recommendation: Written policies should be implemented barring hourly employees using personal vehicles in the performance of their job duties unless supervisory approval is obtained. This should be a city wide policy.

Views of Responsible Officials and Planned Corrective Actions: Brian Maxwell – Assistant City Manager

All employees should be in uniform and be in city vehicles while working any special events. I go a step further and feel that the vehicles should be cleaned prior to use in a special event and only the newest stock should be used to put our best foot forward.

DEFICIENCY #13

Deficiency: There was no formal management committee that manages major special events.

Condition: The management of special events is highly decentralized and allows for a great amount of uncertainty and confusion in organizing major special events.

Criteria: The city should be able to operate at a capacity to administer to running the city as well as offering sufficient services to major special events.

Cause: Major special events require services from various departments within the City of Galveston. These services often require resources to be pulled away from administering to city business to help with the major special events.

Effect: A highly decentralized form of management for special events leads to a great amount of uncertainty and confusion in organizing major special events. Each department should have adequate communication with all of the other departments involved in the special event.

City Auditor's Recommendation: A special events committee should be formed made up of at least one representative from each department involved with special events. This special events committee should meet at least once a quarter with more frequent meetings held around the time periods in which the city holds major special events.

Views of Responsible Officials and Planned Corrective Actions: Brian Maxwell - Assistant City Manager

I believe a Special Events committee should exist and meet monthly.

DEFICIENCY #14

Deficiency: Controls were not performed to ensure city employees are not paid simultaneously for the same work times from special events and the City of Galveston.

Condition: Time schedules created by city departments for city employees to work directly for special events promoters did not reach the City of Galveston's payroll department for comparison purposes.

Criteria: A labor analysis is needed to compare payments made to city employees from special events promoters and the City of Galveston to ensure city employees are not paid simultaneously for the same work times.

Cause: There were no written policies requiring deployment schedules to be received by the city's payroll department from the other city departments for a labor analysis to be performed to compare payments to city employees from special event promoters and the City of Galveston.

Effect: City employees could be inadvertently paid simultaneously by the City of Galveston and special event promoters.

City Auditor's Recommendation: Written policies should be implemented for a labor analysis to be performed comparing time schedules for city employees between payments made directly special event promoters and the City of Galveston.

Views of Responsible Officials and Planned Corrective Actions: Brian Maxwell – Assistant City Manager

Agree to City Auditor's Recommendation.

DEFICIENCY #15

Deficiency: Financial reporting from major special events was not received on a timely basis by the City of Galveston.

Condition: Financial reporting is often promised to the City of Galveston by special events promoters. However, financial reporting from special events promoters was not received on a timely basis.

Criteria: Financial reporting should be required from major special events on a timely basis to determine if the City of Galveston should share in gross revenues from special events.

Cause: Special events promoters did not release any financial reporting to the City of Galveston to deter the possible sharing of gross revenues.

Effect: There were no written policies requiring financial reporting on a timely basis from major special events.

City Auditor's Recommendation: Written policies should be implemented requiring financial reporting on a timely basis from major special events.

Views of Responsible Officials and Planned Corrective Actions: Brian Maxwell – Assistant City Manager

Agree to City Auditor's Recommendation.

DEFICIENCY #16

Deficiency: The general liability insurance limitations for major special events within defined entertainment areas were potentially inadequate.

Condition: The general liability aggregate is currently two million dollars for major special events.

Criteria: The standard for medical and legal costs associated with random individual acts of violence within an entertainment area estimates to be two million dollars per individual per incident.

Cause: The standard for medical and legal costs associated with random individual acts of violence within an entertainment area have increased substantially since the original limits were first defined.

Effect: The City of Galveston could be at risk of being underinsured arising out of a liability claim.

City Auditor's Recommendation: Increase general liability aggregate minimum limitations to five million dollars.

Views of Responsible Officials and Planned Corrective Actions: Brian Maxwell – Assistant City Manager

Insurance for Special Events should mirror our tort limits. I am a firm believer that excessive coverage just makes for deeper pockets and makes us a target. That is a personal opinion and may be in contrast to what our attorney believes.

**City of Galveston
Special Events/Traffic Division Report
City Auditor Executive Summary**

City Mangers Response

Please see the responses from the Assistant City Managers provided in March 2012.