



Audit Report Follow-Up Managing & Operating (M&O) Port of Galveston Downtown Intermodal Transportation Terminal Audit

Background Information:

This report (Audit #Follow-Up 2023-5) is part of the 2023 City of Galveston Audit Plan mandating the City Auditor's performance of a Follow-Up City Managing & Operating (M&O) Audit and corresponding approvals by the Mayor and City Council of Galveston, Texas. City follow-up audits are after the implementation of The Contract Monitoring System (CMS) Program introduced by the City Auditor's Office of Galveston, Texas. Audit #Follow-up 2023-5 is now complete utilizing the expertise of the City Finance and Island Transit Department and underwritten obligatory accountabilities for municipal contract management decreed by The State of Texas.

The International Standards for the Professional Practice of Internal Auditing states that the City Auditor establishes a follow-up process for monitoring City Contract Management actions. This includes establishing an audit objective verifying the validity of all results. Management comments on the facts and results of this follow-up audit are presented at the end of this report.

Audit Objectives:

The audit objective for this follow-up audit and subsequent report is to communicate opportunities for improvements regarding the procedures of City contract monitoring processes existing from previous audit discussions with the City Manager's Office, Finance, and Island Transit Department. These discussions involved identifying management courses of action and the appropriateness of those actions in addressing resolutions to improve City Contract Monitoring practices. The performance of a follow-up audit engages the auditor to designate one of the following descriptions for each act of management and update the database accordingly:

- 1) *Implementation:*** City staff now provides sufficient and appropriate evidence supporting all recommendation elements.
- 2) *In Progress:*** City executive management is planning to begin or is already starting to implement recommendation elements comprehensively.
- 3) *Not Applicable:*** Conducting procedures and controls are not applicable within the department, or evidential matter does not support the meaningful movement towards implementation and is no longer pertinent due to changes in procedures or technology.



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- 4) **No Implementation:** Evidential matter does not support a meaningful movement towards implementation or is in progress; it still needs more development. A new recommendation originating within the last three months will also receive a **No Implementation** designation.

Resources Necessary to Perform the Audit:

Auditor Assigned: Carrie Sumrall, Assistant City Auditor

Reviewer: Glenn Bulgherini, City Auditor

Generally Accepted Government Auditing Standards (GAGAS), The Yellow Book, and International Standards for the Professional Practice of Internal Auditing.

The City Auditor's Office conducts:

- 1) Inquiries of Management and Staff.
- 2) On-Site Observations.
- 3) Other Tests Obtaining Authentication and Confirmation.

Audit Results

The Finance Department and Island Transit Departments have established procedures to monitor the M&O contract deadlines, receive payments, and collect documentation from the Port of Galveston. The Development Costs are from 2013 and are no longer available, but any current charges can be obtained from the Port of Galveston's Finance Department upon request. Information supporting these up-to-date audit result **Implementations** is below:

- 1) City staff collects documentation promptly from the Port of Galveston under the Managing & Operating (M&O):
 1. Annual Business Plan, and
 2. Operating budget, and
 3. Reconciliation of Quarterly Deposits.
- 2) City staff uses secure document software with restricted access to store and recover confidential documents.
- 3) City staff takes appropriate action to collect documentation with identifiable authorization.
- 4) City staff timely enters accurate deposits and updates recording documentation.



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- 5) City Management and staff use a contract monitoring form and email reminders for upcoming collections and deadlines.
- 6) City staff periodically conducts an inventory of documentation.
- 7) City Management communicates the duties and responsibilities of staff effectively.
- 8) City Management encourages staff to use upstream communication to improve performance and enhance internal controls.
- 9) City Management communicates efficiently with the Port of Galveston when issues arise.
- 10) City Management uses ongoing contract monitoring standards to provide feedback on the effectiveness of operation designs, controls, and risk conditions.
- 11) City staff reports any internal control deficiency to:
 1. The appropriate person who is in the position to take corrective actions and, if applicable,
 2. at least one level of management above that person.

City Auditor's Comment

The City and Port have benefited from better communication and teamwork.

City Manager's Comment

The Manager appreciates the Auditor's efforts and has no comments.



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Prepared by: Carrie Samra
Date: 2/23/2023

The City Auditor's Verification of Auditor Assignments

I have assigned the above staff to the stated engagement. I have determined that they collectively possess the competence, knowledge, and skills necessary to perform the assigned work, and individuals have the skills necessary to perform their assigned roles in accordance with Generally Accepted Government Auditing Standards (Standards 4.02 & 4.03).

Approved By: Glen Bulgherini Date: 2/28/2023