



October 2024

Report No. 24-02

# Report on the Audit of the Operations of the Gulf Coast Protection District

## Overall Conclusions

The Gulf Coast Protection District (GCPD) oversees the implementation of the integrated and comprehensive coastal resilience strategy for the upper Texas coast. The 87<sup>th</sup> regular Texas Legislature appropriated \$200 million<sup>1</sup> to the Texas General Land Office (GLO) to facilitate the establishment of the GCPD. The GLO executed a Local Cooperation Agreement<sup>2</sup> (LCA) with the GCPD, which establishes a budget and requirements associated with the funding.

The GCPD has established operations for the administration of funded activities. However, there were areas identified that should be strengthened to enhance and ensure the effectiveness of controls. The GCPD, as the non-Federal sponsor for major portions of the federally funded and U.S. Army Corps of Engineers (USACE)-led Coastal Texas Project and Sabine Pass to Galveston Bay Coastal Storm Risk Management Project, should ensure the development and consistent adherence to established procedures to strengthen the control environment in complying with State and contractual requirements by addressing the following:

1. Ensuring the independence of the Audit Committee of the GCPD Board.
2. Establishing and improving financial processes and procedures for the review and approval of advances, expenditure reports, and travel.
3. Establishing processes for monitoring the drainage districts.

The GLO has developed and implemented processes for reviewing the GCPD's requests for advanced funding and submitting expenditure reports. However, some areas could be improved to provide additional assurance of the GCPD's operations. These items include:

1. Establishing processes for monitoring and addressing ongoing concerns associated with the GCPD's financial operations to ensure they are effectively identified, communicated, and prioritized.
2. Ensuring the LCA includes specific Texas Grant Management Standards (TxGMS) that the GCPD should comply with.

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<sup>1</sup> Senate Bill 1 of the 87<sup>th</sup> Texas Legislature

<sup>2</sup> The LCA's purpose is to facilitate funding allocated by the Texas Legislature to assist the GCPD in its operations, administration, implementation, and oversight of the coastal protection projects for which the GCPD was established pursuant to Senate Bill 1160, 87<sup>th</sup> Texas Legislature, Regular Session.



This report's "Detailed Results" section outlines additional information on the items mentioned above. The audit identified additional opportunities for improvement, but they were not deemed significant enough to be included in this report. These areas were presented to management in a separate communication.

### *Management's Summary Response*

GCPD Management generally concurs with the recommendations set forth in the GLO Audit. Many of the issues identified can be attributed to the GCPD's status as a newly established entity that is actively working to develop and enhance its internal processes and best practices. In pursuit of this goal, the GCPD is currently engaged in collaborative discussions with the GLO and other project partners to identify and implement these essential processes and practices.

In response to the GLO Audit and GLO's findings and recommendations, GCPD's staff and consultants are currently finalizing revisions to its Administrative Policies and Procedures Manual (the "P&P Manual") for presentation to, and approval by, the Board during the first quarter of FYE 2025.

This report's "Detailed Results" section contains management's response to each observation. Following a comprehensive review with the GLO regarding GCPD's initial detailed responses to the findings from the GLO Audit, the GCPD has agreed to refine its responses to align with GLO's stated focus of this report. Nevertheless, the GCPD remains committed to providing any additional information that may enhance the reader's understanding of the progress and accomplishments achieved since its inception, as well as context surrounding the GLO Audit.

### *Acknowledgments*

We appreciate the assistance and cooperation provided to us by the management and staff of the GCPD and the GLO's Federal Finance and Grant Management group during this audit. For questions about this report, please contact Tracey Hall at (512) 463-6078.

*Tracey Hall*

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Tracey Hall, CPA, CISA  
Chief of Audit and Compliance

11/6/2024

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Date



## Background Information

In May 2017, the USACE completed *The Sabine Pass to Galveston Bay Study*. The results of this study were communicated by the USACE to the Secretary of the Army, and the Federal government awarded funds for three Coastal Storm Risk Management (CSRM) projects along the Texas Gulf Coast within the following cities/counties: Port Arthur/Jefferson County, Orange/Orange County, and Freeport/Brazoria County.

The local governments (cities and counties) participating in the CSRM projects were responsible for 35 percent of the project costs. During the 86th Legislative Session (2019), the State of Texas appropriated \$200 million in funds to GLO (S.B. 500) to assist these local governments in paying for their respective 35 percent non-Federal share. The GLO executed LCAs with three drainage districts<sup>3</sup> representing the local governments involved in the CSRM projects. The LCAs contained preliminary budgets and requirements associated with the funding each drainage district received.

During the 87th Legislative Session (2021), the GCPD was created, and an additional \$200 million in funds (S.B. 1) was appropriated to the GLO to facilitate the establishment of the GCPD. The GLO executed an LCA with the GCPD, establishing a budget and requirements associated with the additional \$200 million. Under this LCA, the GLO provides allocated funding to the GCPD, and the GCPD administers the Sabine Pass to Galveston Bay Coastal Storm Risk Management Project in coordination with and oversight of the drainage districts and assumes the role of non-Federal sponsor for major portions of the federally funded and USACE-led Coastal Texas Project.

Per the LCA, the GLO may disburse funds either as advance payments or on a reimbursement basis. In practice, the GLO has distributed most of the funds on an advance basis.

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<sup>3</sup> Orange County Drainage District (OCDD), Jefferson County Drainage District No. 7 (DD7) and Velasco Drainage District.



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## Detailed Results

### Chapter 1

#### *Strengthen the Independence of the GCPD Audit Committee*

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The GCPD Audit Committee is not currently independent of organizational operations. It is responsible for monitoring budget variances, reviewing the annual audit, and making recommendations to the board. The Executive Director, bookkeeper, and two board members serve on the committee. The Executive Director and Bookkeeper are directly involved in the GCPD's financial controls (i.e., oversight, recording, approving, and reporting of financial statements), and their work is subject to review by the external auditor.

The *Water District Financial Management Guide* Sec. 5.04 states that the Audit Committee members should not be directly responsible for the work subject to the audit. The *Guide* also requires that the Audit Committee, at a minimum, annually review the district's financial status, monitor budget variances, review the district's audit report, and make recommendations to the board.

The GCPD Administrative Policies and Procedures Manual requires the Executive Director and the Bookkeeper to serve on the Audit Committee. Having management and employees of the organization on the audit committee impairs the committee's independence and may increase the risk of fraud.

Management is responsible for establishing internal controls over financial reporting and for assessing organizational risks. Per the GCPD Administrative Policies and Procedures Manual, the Audit Committee oversees the external audit process and results. Employees involved in the daily operational activities, the results of which are reflected in the financial statements, are not independent concerning overseeing audit results.

#### *Recommendation*

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The GCPD Board should take action to strengthen the independence of the Audit Committee by adhering to the *Water District Financial Management Guide* Sec. 5.04 by removing the requirement that the Executive Director and Bookkeeper serve on the Audit Committee from the GCPD's Administrative Policies and Procedures Manual. This should include removing the Executive Director and Bookkeeper from serving as members of the GCPD Audit Committee.



## Management's Response

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*GCPD personnel and consultants will recommend to the Board that the Board approve the reorganization of its Audit Committee to include only designated board members and ensure the Audit Committee continues to function effectively in maintaining oversight and governance as required by The Water District Financial Management Guide Sec. 5.04.*

*Additionally, GCPD personnel and consultants are currently preparing revisions to the P&P Manual as needed to clarify the Audit Committee's composition and strengthen internal controls for financial reporting and assessment of organizational risk. GCPD anticipates that the Audit Committee's reorganization and revision of the P&P Manual will be complete during the first quarter of fiscal year 2025.*

**Responsible Parties:**

- *GCPD Executive Director*
- *GCPD Chief Financial Officer*

**Anticipated Implementation Date:** *December 2024*



## Chapter 2

### *Strengthen GCPD's Financial Processes*

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The GCPD must strengthen its financial processes to ensure compliance with State and contractual requirements. Specifically, improvements are needed in processes for (1) preparing and submitting advance requests and expenditure reports, (2) reviewing and approving invoices, (3) reviewing and approving travel expenses, and (4) policies and procedures governing these processes.

#### *Section 2.1: Advance Requests*

During the review, we observed that GLO's Financial Management Department identified various issues and concerns regarding the accuracy of advance requests submitted by the GCPD, which resulted in revisions to the requests. Among the concerns noted were a request for funding in excess of the remaining budgeted cost category and a request for another cost category with a significant unspent balance remaining from the previous advance. In addition, the GCPD incorrectly posted an advance request for administrative expenses to program management, which resulted in an overreporting of program management and engineering costs incurred from August 2022 through February 2023. GLO's Financial Management Department communicated these concerns to the GCPD, which has taken steps to correct them.

The GCPD's administrative policies and procedures manual does not include procedures for submitting requests for cash advances to the GLO. Not having documented processes increases the risk of noncompliance with State and contractual requirements. The GCPD has also hired a Chief Financial Officer and indicated that they are working on revising the policies and procedures.

#### *Recommendation*

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The GCPD should ensure processes are developed and documented for preparing and submitting advance requests, including responsibilities for compiling and reviewing data for accuracy before submission to the GLO.

#### *Management's Response*

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*The GLO and the GCPD collaborated to implement several improvements to the submission process: (1) the appointment of a CFO in mid-April, (2) an additional review of Advance Funding Requests by the CFO prior to submission, and (3) GLO training on submission procedures conducted on August 20, 2024. As a result of these initiatives, the review of Advance Funding Requests has improved.*

*GCPD personnel consultants are preparing revisions to the P&P Manual to clarify the procedures for preparing and submitting advance funding requests to the GLO. GCPD management anticipates revision of the P&P Manual will be complete during the first quarter of fiscal year 2025.*

**Responsible Parties:** *GCPD Executive Director and GCPD Chief Financial Officer*

**Anticipated Implementation Date:** *December 2024*

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## Section 2.2: Expenditure Reports

Of the 43 transactions tested during the review of expenditure reports, the audit identified the following exceptions:

- a. There was no documented review process indicating the GCPD's review and approval of expenditures.
- b. Two payroll invoices did not accurately reflect retirement contributions listed on the payroll detail file provided by the GCPD.
- c. Two of the five invoices reviewed from a third-party vendor could not be accurately reconciled based on the monthly financial payment data provided.

Based on the indicated items, improvements are needed in the GCPD's process of reconciling expenses back to supporting information. The GCPD administrative policies and procedures manual does not include procedures for preparing (i.e., how the data is compiled, responsibilities for preparing and reviewing) and submitting expenditure reports to the GLO. Not having documented processes increases the risk of incomplete or inaccurate information.

## Recommendation

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The GCPD should ensure that processes are developed and documented for preparing and submitting expenditure reports, including reviewing and approving invoices, verifying supporting documentation, and ensuring that all expenditures comply with contractual terms.

## Management's Response

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*The GCPD will ensure the following:*

- a. *GCPD does have a review and approval process of invoices that is guided by applicable laws set forth in Chapter 49, Texas Water Code; however, this process is not expressly captured in the P&P Manual. GCPD anticipates the revision of the P&P Manual will be completed during the first quarter of fiscal year 2025.*
- b. *Moving forward GCPD will run the financial reports from month to month, instead of board meeting-to-board meeting.*
- c. *Processes will be strengthened to ensure expenditure reports include complete supporting documentation and comply with contractual terms.*

### Responsible Parties:

- GCPD Executive Director
- GCPD Chief Financial Officer

**Anticipated Implementation Date:** December 2024





## Section 2.3: Travel Expenses

Of the fifteen expense reports reviewed, the following exceptions:

- a. Four of the eight reports that included lodging expenses that exceeded GSA rates.
- b. Two of the eight reports that included meal expenses, also included gratuities.
- c. Two of the fifteen reports that included transportation expenses contained reimbursements for gratuities and the financial reimbursement to an individual for personal travel points used for travel.
- d. One of the fifteen reports did not indicate the purpose of the trip.
- e. Six of the fifteen reports were not signed by the travelers per requirements.
- f. One of the five airfare expenses included dates that did not match the expense report.

The GCPD's current processes, as outlined in the Administrative Policies and Procedures Manual, do not include needed controls to mitigate the instances noted. In the LCA<sup>4</sup>, the definition of "travel regulations" includes all applicable statutes, regulations, laws, and Comptroller guidance related to reimbursement of travel expenses. TxGMS requires that effective internal controls over state awards be maintained and established to provide reasonable assurance that the awards are managed in compliance with statutes, rules, and terms and conditions of the awards. TxGMS also requires that the financial management system include written procedures for determining the allowability of costs per the cost principles and the terms and conditions of the state award.

## Recommendation

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The GCPD should ensure timely and documented review and approval of travel expenses and that travel adheres to State requirements (i.e., applicable nightly rates, exclusion of gratuities, traveler-signed expense reports, and documented purpose of travel).

## Management's Response

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*GCPD will continue to train personnel and board members regarding the travel guidelines, including:*

- a. *A Travel Expenditure Justification Form is required for lodging rates that fall out of the GSA allowance for the specified jurisdiction. GCPD implemented this in April 2024 and will ensure that this procedure is captured in GCPD's revisions to the P&P Manual.*
- b. *GCPD has directed staff and consultants that gratuities for meals or transportation are not allowable or creditable expenses for reimbursement. GCPD will ensure that this procedure is captured in its revisions to the P&P Manual.*
- c. *GCPD requests further discussion on this subject. GCPD would like to work with GLO to:*
  1. *Receive information on GLO's policy on the matter.*

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<sup>4</sup> Contract 22-074-000-D188 Amendment #2 Sec.1.01

2. *Establish guidance for these scenarios. For gratuity, GCPD has issued directions to staff and consultants that gratuities for meals or transportation are not allowable or creditable expenses for reimbursement. Upon receiving further guidance and information from GLO, GCPD will ensure that this procedure is captured in GCPD's revisions to the P&P Manual.*
- d. *Expense reports do require purpose to be stated. An additional layer of review has been implemented following the recent addition of the CFO to the GCPD management team. This addition is expected to facilitate a more efficient review process moving forward.*
- e. *An instruction has been added to the expense report template requiring not just name, but signature.*
- f. *An additional layer of review has been implemented following the recent addition of the CFO to the GCPD management team. This addition is expected to facilitate a more efficient review process moving forward.*

**Responsible Parties:**

- *GCPD Executive Director*
- *GCPD Chief Financial Officer*

**Anticipated Implementation Date:** *December 2024*



## Chapter 3

### *Establish Processes for Monitoring the Drainage Districts*

In 2021, the 87<sup>th</sup> Texas Legislature passed S.B. 1160, creating the special district, GCPD, and appropriated \$200 million to the GLO to establish it. Prior to the development of the GCPD, the GLO had executed LCAs with each drainage district<sup>5</sup>, also referenced as the non-Federal Sponsors<sup>6</sup> for the CSRM projects, outlining the requirements associated with the use of State funds. The GLO Coastal Field Operations Division has monitored activities related to the projects and administered the disbursement of funds in coordination with the GLO Financial Management Department.

Upon its development, the GCPD executed Interlocal Agreements (ILAs) with OCDD and DD7, listing their responsibilities, including the submission of requests for reimbursement and advance payments to the GCPD to fund payments for costs incurred or to be incurred related to the funded projects. The GCPD currently does not have defined processes for reviewing and monitoring the drainage districts' advance and expenditure requests. The drainage districts simultaneously submit expenditure reports to the GLO and the GCPD; however, the GCPD currently relies on GLO's Financial Management Department to review the expenditure reports and supporting documentation provided by the districts.

#### **Background Information:**

In 2019, the 86<sup>th</sup> Texas Legislature passed Senate Bill 500 (S.B. 500), which appropriated \$200 million to the GLO to provide state matching funds to meet federal requirements for the studies and projects planned by the USACE.

The GLO, with input from the non-Federal sponsors, allocated the S.B. 500 funds to the three CSRM projects, each being conducted by drainage districts that were identified as the non-Federal sponsors for each project. Prior to the creation of the GCPD (circa 2021), the GLO provided funding directly to the drainage districts for these projects, which included the receipt, review, and approval of advances and expenditures.

The LCA between the GLO and the GCPD does not include language that specifically dictates the GCPD's responsibility to monitor the drainage districts' requests for advances and expenditure reports for reimbursement. However, the LCA, Section 6.03 (Assignment and Subcontracts) states that the GCPD has the responsibility for ensuring that the work performed by the district [GCPD] or any of its Subcontractors comply with all the terms and provisions of the LCA. The LCA between the GLO and the GCPD also incorporates the TxGMS<sup>7</sup>, which requires grantees (i.e., the GCPD) to monitor the activities of subgrantees (i.e., the drainage districts) as necessary to ensure that the funding is used for authorized purposes, and in compliance with state law, rules, and the terms and conditions of the contract.

The GCPD must ensure that its processes adequately align with its responsibilities outlined in the LCA, including the monitoring and review of submitted requests for advances and expenditure reports for reimbursement. By establishing monitoring processes, the GCPD can decrease the risk of noncompliance with state rules and contract provisions.

<sup>5</sup> Orange County Drainage District (OCDD), Jefferson County Drainage District No. 7 (DD7) and Velasco Drainage District. Funding for Velasco Drainage District was not continued under GCPD.

<sup>6</sup> In December 2017, the USACE requested funding for CSRM projects along the Texas coast. The Federal government provided 65 percent of funding for design and construction costs. In comparison, the non-Federal sponsor provides 35 percent of design and construction costs and 100 percent of operation and maintenance costs after the project's completion.

<sup>7</sup> Texas Grant Management Standards, Sub-Grantee Monitoring and Management (Pg. 25)



## Recommendations

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### **GCPD:**

The GCPD must establish a formal process and controls for monitoring the drainage districts' requests for advances and submitted expenditure reimbursement requests to ensure compliance with State requirements.

### **GLO Financial Management:**

GLO's Financial Management Department should coordinate with the GCPD to fully transition this monitoring role and process to the GCPD as mutually defined and agreed upon.

## Management's Response

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### **GCPD:**

*The GCPD has implemented the practice of reviewing the monthly expenditure reports submitted by the applicable Drainage Districts to the GCPD prior to the submission of an advance funding request by the GCPD to the GLO.*

*The GCPD will work with the GLO in transitioning responsibilities for reviewing requests for advance funding and/or reimbursement from the applicable Drainage Districts pursuant to the terms and conditions of the SB 1 LCA and the HB 1 LCA (the "LCAs"). As part of this transition, the GCPD is preparing revisions to its P&P Manual and will work with the GLO and the applicable Drainage Districts to review and amend the terms and conditions of interlocal agreements with each applicable Drainage District (1) to ensure understanding of the applicable terms and conditions of the LCAs applicable to advance funding or reimbursement requests, restrictions on reimbursable meal, lodging, and travel expenses, and timing and documentation confirming payment to USACE and other subcontractors engaged by the applicable Drainage District, and (2) to ensure that the Drainage Districts comply with the applicable terms and conditions of the LCAs.*

### **Responsible Parties:**

- GCPD Executive Director
- GCPD Chief Financial Officer

**Anticipated Implementation Date:** March 2025

### **GLO Federal Finance & Grant Management:**

*Federal Finance & Grant Management will coordinate with GCPD to transition the review of the Orange and Jefferson County Drainage Districts' expenditure reports and supporting documentation from GLO to GCPD.*

*Federal Finance & Grant Management will clearly communicate review expectations to the GCPD, establish a plan and timeline in coordination with GCPD to transition financial reviews to GCPD, and provide sample tools and technical assistance on an ongoing basis. Federal Finance & Grant Management will no longer directly review the drainage districts' expenditure reports in detail. We will ensure compliance with LCA and provide oversight of GCPD's procedures.*

**Responsible Parties:** Federal Finance & Grant Management

**Anticipated Implementation Date:** November 1, 2024



## Chapter 4

### *Enhance GLO's Financial Monitoring Processes*

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GLO's Financial Management Department has developed and implemented policies and procedures for reviewing GCPD requests for funding advances and submitting monthly expenditure reports. These procedures address the classification of expenses, supporting documentation and authorization for transactions, allowability of expenses, and documentation of the review. However, there is an undocumented process for capturing issues and concerns noted during reviews.

Although the process is valuable in its efforts to monitor the GCPD, no formal process addresses how the issues are prioritized, communicated, and tracked for follow-up to ensure they are promptly addressed. The Financial Management Department considers this process to be informal but understands tracking issues that arise during their review is an important element of the contract monitoring process and provides information that can be used to consistently assess and address risk. Per the Texas Procurement and Contract Management Guide<sup>8</sup>, agencies should implement a monitoring program that has well-defined follow-up actions. The results from the monitoring efforts should be periodically reviewed to ensure that corrective action has been taken, identify common problem areas that might require training, and improve requirements for future contracts.

### *Recommendation*

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GLO's Financial Management Department should develop and implement a formal process for monitoring identified concerns regarding the GCPD's operations and their disposition, including processes to document, prioritize, communicate, and follow up on identified concerns.

### *Management's Response*

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*Federal Finance & Grant Management will refine and implement a formal process for monitoring and following up on identified concerns that includes documenting, prioritizing, communicating those concerns to GCPD, and escalating to GLO Executive Management as needed.*

*Federal Finance & Grant Management does document and track identified concerns. We will collect current procedures into a written Standard Operating Procedure and formalize those processes, which will primarily consist of adapting our current Excel spreadsheet of issues to assign a priority, responsible party, discovery date, status field, and completion date. We will review the monitoring checklist weekly and maintain documentation as issues are resolved.*

**Responsible Parties:** *Federal Finance & Grant Management*

**Anticipated Implementation Date:** *November 1, 2024*

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<sup>8</sup> State of Texas Procurement and Contract Management Guide, Monitoring Methods – Overview (Pg. 99)



## Chapter 5

### *Clarify Texas Grant Management Standards that Apply to the GCPD*

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The Texas Government Code<sup>9</sup> requires state agencies to use the TxGMS in their grants and contracts with local governments. As the GCPD is a special-purpose district, it is not considered a “local government” and is exempt per the statute. However, the TxGMS allows state agencies to apply the TxGMS by rule or contract to entities that receive grant funds regardless of whether TxGMS is mandated by statute. The GLO’s current LCA with GCPD<sup>10</sup> requires TxGMS compliance; however, it does not specify which requirements apply to the GCPD.

Not clarifying which provisions in the TxGMS apply to the GCPD creates confusion and could result in audit findings for both the GCPD and the GLO regarding non-compliance with TxGMS requirements. The following TxGMS requirements were identified as not being included in the LCA:

1. TxGMS, Audits<sup>11</sup>: Currently, the GCPD financial statements are audited in accordance with Generally Accepted Auditing Standards (GAAS), which complies with the audit requirements for water districts established by the Texas Commission on Environmental Quality (TCEQ) in the *Water District Financial Management Guide*. However, the TxGMS requires that audits be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), which require that the auditor issue additional reports on compliance and internal controls over compliance.
2. TxGMS, Payment<sup>12</sup>: The LCA allows the GCPD to request funds for up to six months in advance of expenditures for certain cost categories. This is inconsistent with the cash management requirements in the TxGMS, which state that grantees must minimize the time elapsed between advance and disbursement of funds. The TxGMS also states that requests for advance payments may be submitted monthly or, if authorized by the state awarding agency, more frequently.

### *Recommendation*

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The GLO’s Office of General Counsel should ensure that the LCA with the GCPD reflects the specific TxGMS provisions that the GCPD should apply and follow.

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<sup>9</sup> Texas Government Code, Chapter 783

<sup>10</sup> Contract No. 22-074-000-D188 Amendment 2, Sec. 3.04

<sup>11</sup> Texas Grant Management Standards, Audits, Audit Requirements, Audit Required, General (pg. 40)

<sup>12</sup> Texas Grant Management Standards, Standards for Financial and Program Management, Payment, Sections 1, and 2.ii (pg. 14)



## Management's Response

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### **GLO Office of General Counsel:**

*The GLO's Office of General Counsel concurs that the Local Cooperative Agreements (LCA) with GCPD should reflect Audit and Payment requirements consistent with TxGMS.*

*The GLO's Office of General Counsel, through its Director of General Law (OGC), coordinated with the Financial Management and the Contract Management Division to develop and include language in the contract for HB1/E394 that clarifies which TxGMS provisions GCPD should apply and follow for both audits and payments. OGC is in the process of amending SB1/D188 to incorporate the same language to clarify that agreement as well. The new contract language clarifies that any conflicts between GAAS and any financial record auditing standards found in TxGMS shall be resolved in favor of GAAS and any conflicts between TxGMS and GAAP or TxGMS and GASB shall be resolved in favor of GAAP and GASB. It also clarifies that the GLO will coordinate with GCPD to determine an appropriate time period for which an advance funding request is applicable but in no event shall it be greater than a six-month period. Except for the advance payment provisions found under the Payments section on page 14 of TxGMS, all costs must be allowable, allocable, reasonable, and otherwise consistent with the standards in TxGMS and all applicable federal and state laws and regulations.*

### **GLO Federal Finance & Grant Management:**

*Financial Management concurs that the Local Cooperative Agreements (LCA) with GCPD should reflect Audit and Payment requirements consistent with TxGMS.*

*Financial Management, in coordination with GLO General Counsel and Contract Management, included language in the contract for HB1/E394 that clarifies which TxGMS provisions GCPD should apply and follow. We are in the process of amending SB1/D188 to incorporate the same language to clarify that agreement as well. The new contract language also clarifies that GASB and GAAP take precedence over TxGMS unless explicitly stated.*

**Responsible Parties:** Federal Finance & Grant Management

**Anticipated Implementation Date:** January 1, 2025







## Appendix

### *Appendix A*

#### *Objectives*

1. Assess the GCPD's financial processes to ensure that funds are spent in compliance with State and contractual requirements.
2. Assess the GLO's fiscal monitoring processes to ensure that the funds provided to the GCPD are spent in compliance with State and contractual requirements.

#### *Scope & Methodology*

The scope of this audit included funds and activities related to CSRM projects the GLO is participating in with the GCPD and the USACE. Specifically, the funds within the scope of this audit were appropriated via S.B. 1 (87th Legislature).

The methodology included observing processes, interviewing employees, collecting information, performing tests, and analyzing and evaluating the information. The audit approach included recommendations for the implementation of management controls and oversight processes in accordance with LCAs to ensure program controls and requirements are effectively identified and established.

The audit was conducted in accordance with *Government Auditing Standards* and *International Standards for the Professional Practice of Internal Auditing*. Those standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.





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