



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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11-01

November 1, 2018

The Honorable Maria Salas-Mendoza
Local District Court Administrative Judge
120th Judicial District
500 E. San Antonio Street
El Paso, Texas 79901

Dear Judge Salas-Mendoza:

The County Auditor's Internal Audit division performed an audit of the County Auditor's office Cash Management Audit division (formerly Treasury division) financial records and processes for February 2016 through June 2018 to determine if internal controls were adequate to ensure payments are appropriately deposited and statutory compliance. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating, and efficient.

The audit report is attached. We tested one operational control and three financial controls with a total of 80 samples. There were three findings noted as a result of the audit procedures; including one repeat finding. We wish to thank the management and staff of Cash Management Audit division for their assistance and courtesies extended during this audit.

Because of certain statutory duties required of the County Auditor, this office is not independent in regard to the subject of this audit, as defined by AICPA professional standards. However, our audit was performed with objectivity and due professional care.

Respectfully,

A handwritten signature in blue ink that reads "Edward A. Dion".

Edward A. Dion
County Auditor

EAD:RB:ya



**Cash Management Audit division
El Paso County Auditor's Office**



EXECUTIVE SUMMARY

BACKGROUND

Local Government Code § 83.007 provides that in a county for which the office of county treasurer has been abolished, a reference to the county treasurer in the Local Government Code (LGC) or other state statute means the person who performs the powers of duties of the county treasurer in that county. Since Commissioners Court directed the County Auditor to perform all of the statutorily mandated treasury functions after the office of El Paso County Treasurer was abolished, state law provisions referring to county treasurer duties now are read as applying to the County Auditor.

LGC § 113.002 states the county treasurer shall keep an account of the receipts and expenditures of all money the treasurer receives by virtue of the office and of all debts due to and owed by the county. The Cash Management Audit (CMA) division of the El Paso County Auditor's office receives, records, and processes deposits from various sources for all funds received by the County into its depository account. The division is responsible for the recording and disbursement of all checks to their respective payees.

A new ERP system, Munis, was implemented since the last audit, including a new cashiering system. The implementation of the new system required significant changes to the daily processing, posting and bank reconciliation processes of CMA. The new system also required a shift in responsibilities that added functions such as coding of revenues and reconciliation of treasury records to general ledger records to CMA that were previously performed by other divisions and furthermore this required reallocation of staffing resources to this division. The audit was performed by Ruth Bernal, internal auditor senior. The prior audit was issued September 1, 2016.

OBJECTIVES

The audit evaluated the adequacy of controls and processes used to achieve key business objectives related to CMA financial reports. Following are the business objectives and related control assessment.

Business Objective	Control Assessment
1. Document and follow policies and procedures	Needs Improvement
2. Functioning appropriate cash controls.	Needs Improvement
3. Timely deposits of daily collections in accordance with <i>LGC 113.022</i> .	Satisfactory
4. Adequate controls of voided transactions.	Needs Improvement
5. Complete, timely, and accurate bank reconciliations	Need Improvement

SCOPE

The scope is February 2016 through June 2018.

METHODOLOGY

To achieve the audit objectives we:

- Performed a surprise cash count of CMA division collections on May 31, 2018, in accordance with *LGC §115.0035*;
- Tested a sample of daily cash count sheets and deposit slips to determine deposit completeness, accuracy, timeliness, and retention of appropriate deposit information.
- Conducted interviews with CMA division personnel to determine current processes and controls, such as adequate segregation of duties, dual controls, and safeguarding of information and assets.
- Reviewed Miracle Delivery logs and compared them to deposits slips to verify proper documentation and timely deposit;
- Reviewed Deposit Warrant logs to verify they balance to the collections.
- Reviewed a sample of bank reconciliations for completeness and accuracy.
- Reviewed a sample of voided transactions for proper authorization.



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EXECUTIVE SUMMARY

RESULTS

Listed below are control and finding summaries, with observations listed from highest to lowest risk. Please see the *Findings and Action Plans* section of this report for the status of the prior audit report findings and details and management action plans for the current findings.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Timely deposit of daily collections. (Obj. 3) 	<ul style="list-style-type: none"> • Policies and procedures. (Obj. 1) • Cash controls (Obj. 2) • Adequate controls of voided transactions (Obj. 4) • Timely and accurate bank reconciliations (Obj. 5)
Finding Summary	
<ol style="list-style-type: none"> 1. Cashiers collections are combined for daily balancing. 2. Voided transactions were not properly documented. 3. Some bank reconciliations had reconciling items pending over six months and procedures need to be updated. 	

INHERENT LIMITATIONS

This financial review was designed to provide reasonable assurance that the internal control structure is adequate to safeguard the County's assets from loss, theft, or misuse. The County's internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of implementing the controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires the use of estimates and judgment by management. Because of the inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected.

CONCLUSION

The internal control structure of the CMA division was satisfactory for one of the five objectives of this audit. However, implementation of the recommendations provided in this report should assist in strengthening the internal control structure.



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FINDINGS AND ACTION PLANS

Prior Audit Findings Summarized with Current Status

Status

H Closed

1. **Finding:** Change fund is shared by Treasury employees and there is a lack of segregation of duties.

Recommendation: Each clerk should be responsible for reconciling their own change fund.

Action Plan: Treasury will implement procedures to limit access to the change fund to only one clerk. The accountant senior, will randomly verify the change fund once a month. Post ERP implementation the Treasury manger will request an increase so each clerk will have their own change fund. *Resolved. The change fund is no longer shared, but is split between the employees.*

H Closed

2. **Finding:** A log of deposit warrant books is not kept.

Recommendation: Treasury division should maintain a log of the deposit warrants books on hand, the log should include receipt of the new books and distribution of books as they are put into use.

Action Plan: Treasury has completed an inventory of deposit warrants books on hand and created a log to account for them. *Resolved.*

H Closed

3. **Finding:** Controls for securing County manual receipt books are weak.

Recommendation: Treasury division should be the custodian of manual receipt books inventory for all County departments.

Action Plan: Treasury division has custody of a few County department receipt books already and created logs for inventory control. Remaining County departments will be contacted to notify them that Treasury will be the custodian of the manual receipt books and explain the procedures to obtain official manual receipts books for their respective department use. *Resolved. Auditor's note: Due to storage capacity at the Auditor's office, CMA, (formerly Treasury), will not be able to keep receipt book inventories for all departments. CMA will keep a list of the departments that are responsible for their own manual receipt book inventories.*

H Closed

4. **Finding:** District Attorney's deposits are hand carried from one building to another, increasing risks.

Recommendation: Treasury should advise the District Attorney's office to give their deposits to a department located at the Courthouse with an existing armored car service for delivery to the bank. Such department should have a log of deposits received from other departments that can be traced to the armored car service log of deposits picked up for delivery to the bank.

Action Plan: Effective 15, 2016, Financial Recovery division located in the Courthouse is receiving the District Attorney's office deposit. *Resolved.*

H Closed

5. **Finding:** A cashiering system is needed for collections at Treasury's window.

Recommendation: Deposit warrants should include a printed line for source of collection and tender type. Auditor's office is in the process of acquiring a cashiering system that will be easier to identify, post, and reconcile collections received at the window.

Action Plan: The new cashiering system is scheduled to go live on October 1, 2016. The new system will identify the source of collections and the tender type. *Resolved.*

M Closed

6. **Finding:** NSF checks are not handled in accordance with notice of dishonor letters.

Recommendation: Consequences of the dishonor letters should be followed and letters updated. Written policies and procedures should be updated.

Action Plan: Policies and procedures regarding NSF letters will be updated. *Resolved.*



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FINDINGS AND ACTION PLANS

Status

L Open

See finding #3

7. **Finding:** There were some reconciling items over six months old and Treasury was not notified of three voided checks.

Recommendations: Due care should be exercised and reconciling items investigated and resolved timely with the respective divisions to post entries in Munis.

Action Plan: Treasury employees will work to ensure reconciling items are investigated and resolved timely. Management review of reconciliations will also verify age of reconciling items. If notification of void checks is not received timely, Treasury will remind the originating department of proper procedures and take proactive follow up action to ensure timely resolution.

Current Audit Findings & Action Plans

Finding #1		Risk Level H									
<p>Daily balancing – A sample of 84 collection dates were reviewed and no cash discrepancies were noted. However; a cash count sheet is prepared for each deposit slip but not for each cashier. In case of a discrepancy, it would be difficult to determine which cashier was responsible for the difference. Best practice is for each cashier to balance separately before combining funds for the deposit.</p>											
<p>Recommendations</p> <p>On a daily basis, each clerk should reconcile their till individually to the Tyler cashiering system, and prepare a cash count sheet. Cash count sheets should be signed by each cashier and presented to a supervisor for review and approval. Any overages or shortages should be noted and logged. The log should be reviewed to identify any cash handling issues.</p>											
<p>Action Plan</p> <table border="1"> <thead> <tr> <th>Person Responsible</th> <th>CMA Audit Manger</th> <th>Estimated Completion Date</th> <th>10/31/18</th> </tr> </thead> <tbody> <tr> <td colspan="4"> <p>The cash count sheet was amended on August 22, 2018. The cash count sheet now includes space to detail the cash count per cashier, their respective signatures and the supervisor who reviewed it. Also, the CMA manager agrees to start a log to ensure documentation of overages or shortages, if any. Policies and procedures for the division are being updated and will incorporate these procedures.</p> </td> </tr> </tbody> </table>				Person Responsible	CMA Audit Manger	Estimated Completion Date	10/31/18	<p>The cash count sheet was amended on August 22, 2018. The cash count sheet now includes space to detail the cash count per cashier, their respective signatures and the supervisor who reviewed it. Also, the CMA manager agrees to start a log to ensure documentation of overages or shortages, if any. Policies and procedures for the division are being updated and will incorporate these procedures.</p>			
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FINDINGS AND ACTION PLANS

Finding #2		Risk Level M	
<p>Voided Transactions: A sample of eight of 96 voided transactions were reviewed. The following was observed:</p> <ul style="list-style-type: none"> • There is no detail explanation for the voided transitions, nor supporting documentation. When CMA personnel were questioned about some voided transactions, they couldn't remember exactly the reason for the void and they couldn't provide any supporting documentation. • On Tyler cashiering system the field labeled "Comment" is not utilized consistently to give more details about the reason for the void. <p>Lack of documentation increases the chances of manipulation of records or misappropriation of funds. Proper documentation provides evidence of what has occurred as well as provides information for researching discrepancies if it is needed.</p>			
Recommendation			
<p>Voided transactions should be better documented and include more detail explanation on the comment field. Also, policies and procedures should be updated and include specific details for voided transactions such as:</p> <ul style="list-style-type: none"> • Transactions that can to be voided • Supporting documentation that should be included • Authorized personnel. 			
Action Plan			
Person Responsible	CMA Audit Manager	Estimated Completion Date	Implemented
<p>Voided transactions will be monitored to ensure voids are documented. Clerks have been instructed to always include an explanation on the comment field for the reason the transaction had to be voided. Please note system controls require senior accountant or manager approval on all voids. Policies and procedures have been updated to include voided transactions procedures.</p>			



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FINDINGS AND ACTION PLANS

Finding #3		Risk Level M	
<p>Bank Reconciliations: Some bank reconciliations had reconciling items pending over six months and procedures need to be updated. February and March 2018 bank reconciliations, 38 of 228 total monthly reconciliations, were reviewed for the bank accounts handled by CMA. The following was noted:</p> <ul style="list-style-type: none"> • Seven of the bank accounts had outstanding checks more than six months old. Policies and procedures include writing off outstanding checks that are older than six months old for departments who handle separate bank accounts, but it doesn't address the procedures for outstanding checks on the bank accounts handled by the CMA. • Regarding the consolidated bank account reconciliations, there were seven credit card charge back transactions pending to be corrected older than six months. CMA doesn't have documented policies and procedures on how to handle credit card charge backs. • Five of the account reconciliations had outstanding reconciling items for transactions pending to be posted on Munis since October 2017. <p>Old reconciling items was a finding on the prior audit. Bank reconciliations identify receipts and payments to ensure they are all correctly recorded in both the bank and the financial general ledger in Munis. A regular review of the bank accounts helps to identify potential problems and resolve differences in a timely matter. Best practices for outstanding items recommends that they be cleared within 90 days and requires support documenting why they have yet to be cleared.</p>			
Recommendations			
<ol style="list-style-type: none"> 1. Due care should be exercised and reconciling items and should be followed up on to ensure items are resolved timely with the bank and/or credit card company. Divisions responsible for the corrections should be contacted and issues escalated if not resolved timely. 2. Policies and procedures should be updated and include the process for credit cards charge backs and follow up for outstanding checks older than six months. 			
Action Plan			
Person Responsible	CMA Audit Manager	Estimated Completion Date	10/31/18
<p>The change in posting methodology of payroll entries due to implementation of the Munis payroll module in October of 2017 created many outstanding items in several accounts. This process has been thoroughly examined involving multiple divisions and executive staff and all outstanding items have been cleared as of the date of this report. Controls will be put in place to communicate with the respective parties for timely clearance of items in the future. Policies and procedures will be updated to include such controls.</p>			