



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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02-10

February 26, 2019

Mr. Wallace Hardgrove
Budget Executive Director
500 E. San Antonio, Suite 106
El Paso, Texas 79901

Dear Mr. Hardgrove:

The County Auditor's Internal Audit division performed an audit of the Budget and Fiscal Policy Financial Recovery Division's financial records to determine if internal controls are adequate to ensure proper preparation of Financial Recovery Division's financial reports. 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 five financial controls with a total of 135 samples. There were four findings noted as a result of the audit procedures. We wish to thank the management and staff of the Financial Recovery 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 your office, as defined by AICPA professional standards. However, our audit was performed with objectivity and due professional care.

Respectfully,

A handwritten signature in black ink, appearing to read "Edward A. Dion", with a long horizontal flourish extending to the right.

Edward A. Dion
County Auditor

EAD:RB:JO:ya

cc: Ms. Betsy Keller, Chief Administrator
Mr. Derek Ware, Financial Recovery Division Manager



Financial Recovery Division Audit



EXECUTIVE SUMMARY

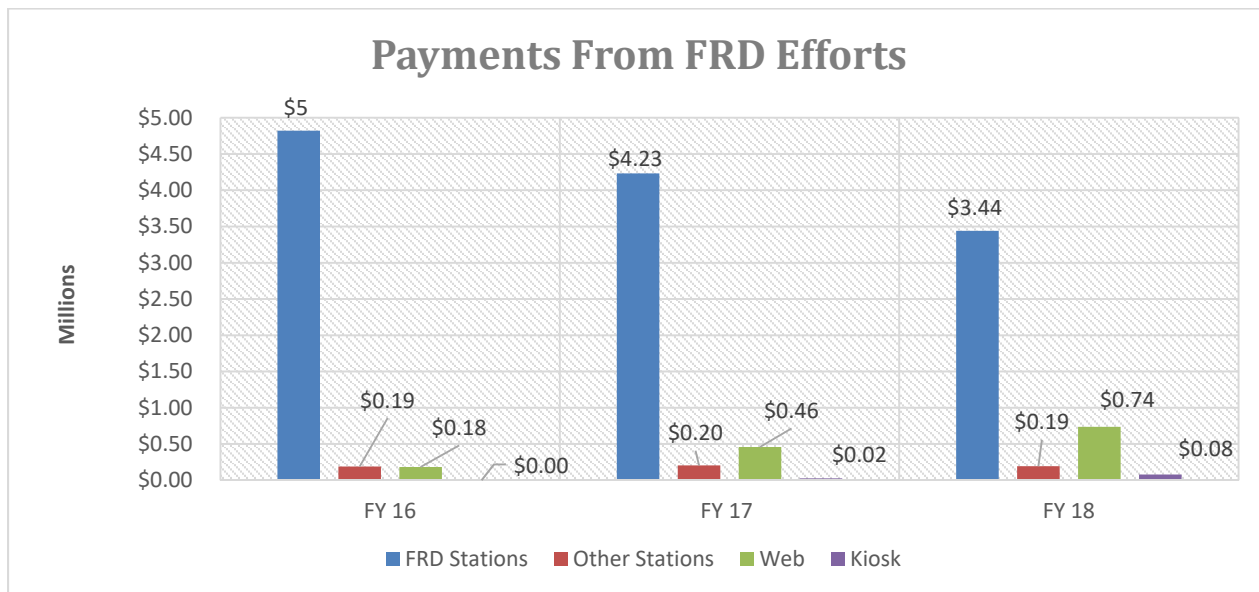
BACKGROUND

Financial Recovery is a division under the Budget and Fiscal Policy Department. The division is responsible for collecting monies from those that have exhausted resources throughout the judicial process. Through court orders, payment plans and other resources, the goal of the Financial Recovery Division (FRD) is to assist in making the County of El Paso and its taxpayer's whole by collecting funds to optimize services to the public. This division has been under the Budget and Fiscal Policy Department since May of 2015 and was previously under management of the County Clerk.

The audit was performed as a team effort by the entire Internal Audit division. This is the first audit performed on this division under new management.

FINANCIAL REPORTING

Financial reports are generated from the Odyssey Courts and Justice System (Odyssey) showing all transactions occurring each month. The following chart is a comparison of fees recovered for the past three fiscal years at the main Financial Recovery office and satellites to include fees recovered through E-Pay, Kiosk & other stations due to the Financial Recovery Division's efforts.



Source: Odyssey system

SCOPE

The scope of the audit is from October 2017 through August 2018.

OBJECTIVES

The audit evaluated the adequacy of controls and processes used to achieve key business objectives related to the Financial Recovery Division financial reports. Following are the business objectives and related control assessments.



Financial Recovery Division Audit



EXECUTIVE SUMMARY

Business Objective	Control Assessment
1. Maintain and follow collections policies and procedures	Satisfactory
2. Functioning appropriate collections controls.	Needs Improvement
3. Timely recording and depositing of revenue collections.	Satisfactory
4. Storage and timely posting of manual receipts.	Need Improvement
5. Adequate controls of voided transactions.	Need Improvement
6. Completeness of the payment mail log and timely posting	Satisfactory

METHODOLOGY

To achieve the audit objectives we:

- Reviewed policies and procedures
- Performed a surprise cash count in accordance with *Local Government Code (LGC) §115.0035*.
- Reviewed a sample of daily deposit transactions verifying to Odyssey reports.
- Reviewed a sample of daily deposit transactions and traced to deposits at the bank.
- Reviewed staff Odyssey user rights and reviewed a sample of void and reversal entries to verify legitimacy of transactions.
- Reviewed manual receipt internal controls and tested a sample of manual receipts for appropriate and timely posting to Odyssey.
- Tested a sample of mail log entries for appropriate documentation and timely posting.

RESULTS

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

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Policies and procedures (Obj. 1) • Timely recording and depositing of revenue collections (Obj. 3) • Mail log controls (Obj. 6) 	<ul style="list-style-type: none"> • Documentation of dual control verification (Obj. 2) • Manual receipt log controls (Obj. 4) • Control of voided transactions (Obj. 5)
Findings Summary	
<ol style="list-style-type: none"> 1. Change fund is five dollars short. 2. Some daily collection dual control processes are not properly documented and daily collection procedures need to be updated. 3. Manual receipts issued are not cross referenced consistently in Odyssey and there is no inventory log for manual receipt books. 4. An FRD employee has unauthorized void user rights and four voided transactions were not documented on the Void and Adjustment log. 	

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 Financial Recovery division met three of six objectives for this audit. Implementation of recommendations provided in this report should assist the Financial Recovery Department in improving their internal control structure and produce accurate financial reporting.



The Office of The Financial Recovery Department



Findings and Action Plans

Current Audit Findings & Action Plans

Finding #1		Risk Level H	
<p>Change fund – The change fund assigned to FRD is five dollars short. Cash counts were performed on September 11 and 12, 2018. According to MUNIS records, FRD was assigned a \$1,740.00 change fund which was allocated to ten different FRD collection satellite locations. The total of actual change fund cash for all satellite locations was \$1,735.00. FRD also had total shortages of \$70.25 on various collection dates throughout the 2018 fiscal year. A County Attorney Opinion regarding over/short accounts dated June 11, 1987, states:</p> <p style="padding-left: 40px;">"Texas Constitution, Article 16, Section 61, requires all fees collected by county officers shall be paid into the county treasury....There is no provision for forgiveness of short accounts by the use of over receipts from another day."</p>			
<p>Recommendation</p> <p>Change funds should periodically be verified and documented to ensure totals reconcile with MUNIS balances. All shortages should be reimbursed to the County in a periodic and timely manner in compliance with the County Auditor's Accounting Procedures for overages and shortages.</p>			
Person Responsible	Financial Recovery Services Manger	Estimated Completion Date	Implemented 12/12/18
<p>The \$5 dollar shortage from the total division change fund (\$1,740) was never confirmed when collections efforts transferred from the County Clerk's Office to the Budget department in May of 2015. FRD staff and auditor's office reached out to County Clerk's Office to confirm change fund transferred and it was discovered no documentation was available. Auditor's office did not have verification of change fund transfer other than the of change fund amount approved by Commissioner's Court on May 18, 2015. After researching the matter internally, the division has always operated with a total change fund of \$1,735. Since this matter has been brought to the Budget Department's attention, the shortage of \$5 has been replaced and the change fund in the amount of \$1,740 is accounted for.</p> <p>As a precautionary measure, to prevent any change fund discrepancies, routine audits are being scheduled and conducted once per month for all annex locations including the downtown office. This internal audit process will confirm exact change fund and other cashiering functions, such as manual receipts, voids and errors. A log has been created to document date of visit, verifier, cashier's work being reviewed and amount verified. Furthermore, an inventory list has been placed on the inside of all safes detailing the change fund amount (per safe/location) manual receipt books, money bags etc....</p>			



Findings and Action Plans

Finding #2		Risk Level H	
<p>Daily collections - Some daily collection dual control processes are not properly documented and daily collection procedures need to be updated. A 30 day sample of collections was reviewed and the following was observed:</p> <ol style="list-style-type: none"> 1. Cash count sheets for credit card transactions received over the phone are not signed by the reviewer. Proper review is particularly important because the payee is not observing how their credit card information is being handled and no receipt is issued at the time of collection. 2. At two satellite offices, the dual control verification is not processed until the following day when the deposit and documentation are received at the main office. This increases the risk of accounting errors or manipulation of records by either party involved. 3. A \$25 overpayment was accepted on case number 2001CM588 dated 05/22/18; policies and procedures do not indicate how to proceed when overages are received. 			
<p>Recommendations</p> <p>Dual control verification and review of cash count sheets reduces the possibility of loss or theft due to manipulation of records or accounting errors. Proper documentation of the verification process helps avoid any disputes between parties involved. We recommend:</p> <ol style="list-style-type: none"> 1. Phone payment procedures should be reviewed and updated as needed to strengthen controls. All cash count sheets should be documented with a signature that they were reviewed. 2. At satellite offices where collections cannot be verified by somebody else, we recommend the use of two-part cash count sheets. The copies should be kept at the satellite office and the original sent with the deposit to the main office. If the cash count is modified at the main office, there is a copy of the original reconciliation at the satellite office. The satellite office should be notified of any modifications. 3. Submit a refund request to the Auditor’s office to refund the overpayment. Policies and procedures should be updated to include how to handle overpayments received. 			
Person Responsible	Financial Recovery Services Manger	Estimated Completion Date	Implemented 02/05/19
<ol style="list-style-type: none"> 1. Phone payment cash count sheets are verified daily by the division’s accountant. Signature of verification was not added to the cash count sheet due to zero cash taken through phone payment tills. Since this matter has been brought to our attention during the auditors review, the existing procedure has been modified and all transaction reports are now being verified regardless of transaction type of payments tendered. 2. Staff stationed at satellite offices work alone and are unable to have their cash count verified. Auditor’s recommendation was implemented on 12/12/18. Review of this process will also be included in the division’s monthly audit. It’s now required for satellite staff to keep a copy of all cash count sheets. If any cash count sheet is modified at the main office, the satellite office is emailed the scanned copy and management is notified. Satellite staff is required to keep all modified cash count sheets. 3. It has been the office’s practice to submit refund requests to the auditor’s office, make proper notations in the case and to scan refund requests for the file in case record and then document refunds in the division’s refund log. This is the current office practice and documented procedures are currently being updated illustrating this practice. Estimated completion date by 2/10/19. 			



Findings and Action Plans

Finding #3		Risk Level M									
<p>Manual Receipts - Manual receipts issued are not cross referenced consistently in Odyssey, and there is no inventory log for manual receipt books.</p> <p>A sample of 30 manual receipts was reviewed during the audit period for timeliness, accuracy, sequence, and proper receipt cross referencing at the time of posting. 19 or (63%) of 30 manual receipts reviewed didn't reference the receipt number at the time of posting into Odyssey. Failure to reference the manual receipt in Odyssey increases the risk of posting fictitious payments since it would be difficult to trace back to the original payment transaction.</p> <p>It was also noted that the location and accountability of all manual receipt books (both used and unused) was not being tracked or monitored properly by senior staff. This lack of accountability could lead to an increase in possible misuse and abuse of the manual receipt books.</p>											
<p>Recommendation</p> <p>Management should verify that every manual receipt is filled out and entered accurately. We recommend that when a manual receipt is entered into Odyssey, the cashier should always enter a comment to cross reference the manual receipt number. A second individual should verify the Odyssey posting and initial the manual receipt if it was posted correctly, including the cross referenced receipt number. We also recommend a log be kept at the main office to document the physical count and assignment of all manual receipt books. Furthermore, we recommend policies and procedures be updated to incorporate these recommendations.</p>											
<p>Action Plan</p> <table border="1"> <thead> <tr> <th>Person Responsible</th> <th>Financial Recovery Services Manger</th> <th>Estimated Completion Date</th> <th>Implemented 12/12/18</th> </tr> </thead> <tbody> <tr> <td colspan="4"> <p>It is office procedure to log manual receipt numbers when posting the payment in Odyssey. In addition, a copy of the Odyssey receipt has been attached to the manual receipt book to support the use of any manual receipt. The division has taken additional steps by implementing a monthly internal audit for all locations, to confirm copy of the Odyssey receipts continue to be added to the manual receipt book. Audits will also be used to verify the manual receipt number is entered into the Odyssey payment.</p> <p>The division is aware of the number of manual receipt books issued to each location and staff is trained to ensure they are secured in a safe. Additional steps have been taken to number, date and print the location of the manual receipt book for all locations. Office has also implemented a manual receipt book log.</p> </td> </tr> </tbody> </table>				Person Responsible	Financial Recovery Services Manger	Estimated Completion Date	Implemented 12/12/18	<p>It is office procedure to log manual receipt numbers when posting the payment in Odyssey. In addition, a copy of the Odyssey receipt has been attached to the manual receipt book to support the use of any manual receipt. The division has taken additional steps by implementing a monthly internal audit for all locations, to confirm copy of the Odyssey receipts continue to be added to the manual receipt book. Audits will also be used to verify the manual receipt number is entered into the Odyssey payment.</p> <p>The division is aware of the number of manual receipt books issued to each location and staff is trained to ensure they are secured in a safe. Additional steps have been taken to number, date and print the location of the manual receipt book for all locations. Office has also implemented a manual receipt book log.</p>			
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The Office of The Financial Recovery Department



Findings and Action Plans

Finding #4		Risk Level M									
<p>Voided Transactions – An FRD employee has unauthorized void user rights and four voided transactions were not documented on the Void and Adjustment log. A sample of 45 voided Odyssey transactions were tested for proper user authorization and completeness. The following was noted:</p> <ul style="list-style-type: none"> • One Financial Recovery Specialist, not authorized to void per Financial Recovery Division policies and procedures, has rights to void transactions in Odyssey. Unauthorized user rights allowing personnel to void transactions poses a threat to data integrity and may lead to theft or misuse of County funds. • Four of 45 (9%) voided transactions sampled were not logged in the void and adjustment log used by FRD staff. Inaccurate reports will result in inaccurate data analysis conclusions. 											
<p>Recommendation</p> <p>Because we only tested a sample of voided transactions, we recommend FRD management review FRD personnel user rights to ensure only proper and adequate user rights are active. We also recommend FRD management continue to periodically verify FRD employee user rights continue to be appropriate. This will ensure additions, modifications, and terminations have been appropriately updated in the system.</p> <p>In addition, staff should ensure all voided transactions are entered in the void and adjustment log. This log should be reviewed periodically by FRD management to determine if any patterns of consistent voids by personnel become noticeable and need to be addressed.</p>											
<p>Action Plan</p> <table border="1"> <thead> <tr> <th>Person Responsible</th> <th>Financial Recovery Services Manger</th> <th>Estimated Completion Date</th> <th>Implemented 10/25/18</th> </tr> </thead> <tbody> <tr> <td colspan="4"> <p>Employee with user rights to void/reverse payments was formally a Financial Recovery Senior and member of the division’s management team. When this matter was identified on 10/25/18, a follow up was done with ITD and void/reversal rights were removed. At this time, it has been confirmed, only the division’s management and accountant have these rights as voids and reversals are part of their daily functions. Moving forward, twice per fiscal year, a list of FRD staff will be requested from ITD to verify all staff members have the proper system credentials. Documented procedures are currently being updated illustrating this practice.</p> <p>All voided transactions are now being monitored on daily basis by the staff member handling the division’s accounting functions. Any void not logged, is brought to the attention of management. Division manager will be responsible for periodically reviewing Void/Adjustment Log to confirm accuracy.</p> </td> </tr> </tbody> </table>				Person Responsible	Financial Recovery Services Manger	Estimated Completion Date	Implemented 10/25/18	<p>Employee with user rights to void/reverse payments was formally a Financial Recovery Senior and member of the division’s management team. When this matter was identified on 10/25/18, a follow up was done with ITD and void/reversal rights were removed. At this time, it has been confirmed, only the division’s management and accountant have these rights as voids and reversals are part of their daily functions. Moving forward, twice per fiscal year, a list of FRD staff will be requested from ITD to verify all staff members have the proper system credentials. Documented procedures are currently being updated illustrating this practice.</p> <p>All voided transactions are now being monitored on daily basis by the staff member handling the division’s accounting functions. Any void not logged, is brought to the attention of management. Division manager will be responsible for periodically reviewing Void/Adjustment Log to confirm accuracy.</p>			
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