



COUNTY OF EL PASO  
OFFICE OF THE COUNTY AUDITOR

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12-01

December 3, 2019

Ms. Janet Sanchez  
Human Resources Generalist Intermediate  
El Paso County Human Resources  
500 E. Overland  
El Paso, Texas 79901

Dear Ms. Sanchez:

The County Auditor's Internal Audit division performed an audit of the El Paso County Employee Picnic to determine if internal controls are adequate to ensure proper preparation and documentation of employee picnic financial reports. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating and efficient.

The audit report is attached. We tested three operational and four financial controls with all donation deposits and receipts reviewed. There were four findings noted as a result of the audit procedures. We wish to thank the management and staff of the Human Resources Department and the Employee Picnic Committee 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,

Edward A. Dion  
County Auditor

EAD:PT:RG:ya

cc: Ms. Betsy C. Keller, Chief Administrator  
Ms. Melissa Carrillo, Chief HR Officer



# EI PASO COUNTY EMPLOYEE PICNIC AUDIT EXECUTIVE SUMMARY



## BACKGROUND

The El Paso County Employee Picnic is an annual event held at Ascarate Park as a form of appreciation to the County employees for their hard work and dedication. The idea of an employee appreciation oriented picnic was first introduced in September 2011, by the then current County Judge, Veronica Escobar. The picnic utilizes the Ascarate Park swimming pool and surrounding facilities to promote friendly competitive and family oriented events. The picnic is mainly funded via donations from County department heads and elected officials. Other entities such as the El Paso Sports Commission also donate food, drinks and other necessities as needed. The event is organized by a committee of County employees led by the El Paso County Human Resources Department. The donation process for the picnic event was approved by Commissioners Court on June 3, 2019. The audit was performed by James O'Neal, internal auditor manager – senior.

## FINANCIAL REPORTING

The donations and expenditures for the 2019 County Employee Picnic were reviewed to ensure proper documentation and accountability. Donations were traced and reconciled with the County's financial system (MUNIS) subsidiary account. Expenditures were traced to the credit card statement and vouchers were traced to the MUNIS subsidiary account for reconciliation purposes. The residual amount from last year's picnic was verified and accounted for.

An expenditure of the Flexible Spending Account (FSA) forfeited funds in the amount of \$28,897 was approved by Commissioner's Court on August 26, 2019. These funds were transferred into the Employee Annual Picnic account to be used by the committee for picnic expenses. The use of these forfeited funds was reviewed by the County Attorney's Office via opinion (OP) number 19-753 on July 29, 2019.

A summary of all activity is listed below:

Residual from 2018.....	\$ 2,479.57
Current Year Donations and Transfers.....	\$ 35,422.00
Current Year Expenses.....	\$ 5,583.80
 Current Balance.....	 \$ 32,317.77

## OBJECTIVES

The audit evaluated the adequacy of controls and processes used to achieve key business objectives related to the El Paso County Employee Picnic. Following are the business objectives and related control assessment.

Business Objective	Control Assessment
1. Establish and document policies and procedures	Needs Improvement
2. Compliance with timely deposit law Local Government Code (LGC) §113.022	Needs Improvement
3. Appropriate picnic donation acceptance and receipt documentation	Needs Improvement
4. Appropriate picnic expense documentation	Satisfactory
5. Proper employee expense reimbursement documentation and controls	Needs Improvement
6. Proper authorization for donation and other funding source acceptance	Satisfactory
7. Functioning cash controls and proper securement of funds	Satisfactory

## SCOPE

The scope of the audit is June 2019 through October 2019.

## METHODOLOGY

To achieve the audit objectives we:

- Requested for review documented policies and procedures.
- Reviewed donations for timely deposit compliance in accordance with *Local Government Code §113.022*.
- Reviewed all donation manual receipts to ensure proper documentation.



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- Reviewed all picnic expenditure receipts and vouchers to ensure proper documentation
- Reviewed employee expense reimbursement process, documentation and controls.
- Reviewed all Commissioner’s Court approvals for donation and alternate funding source acceptance
- Reviewed functioning cash controls and proper securement of donated funds

### 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"> <li>• Appropriate picnic expense documentation (Obj. 4)</li> <li>• Proper Commissioner’s Court authorization approval documentation (Obj. 6)</li> <li>• Proper securement of funds and appropriate cash controls (Obj. 7)</li> </ul>	<ul style="list-style-type: none"> <li>• Established and documented policies and procedures (Obj. 1)</li> <li>• Timely deposit compliance (Obj. 2)</li> <li>• Appropriate picnic donation acceptance and receipt documentation (Obj. 3)</li> <li>• Proper employee picnic expense reimbursement documentation and controls (Obj. 5)</li> </ul>
Finding Summary	
<ol style="list-style-type: none"> <li>1. Key operating policies and procedures are not documented.</li> <li>2. 77% of donation deposits did not comply with LGC § 113.022</li> <li>3. Improper controls regarding picnic donation acceptance, manual receipting and documentation.</li> <li>4. Improper employee picnic expense reimbursement documentation and controls.</li> </ol>	

### INHERENT LIMITATIONS

This financial review was designed to provide reasonable assurance that the internal control structure is adequate to safeguard the County’s donated funds 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 El Paso County Employee Picnic review met three of the seven objectives of this audit. Implementation of recommendations provided in this report should assist in improving the internal control structure of its operations.



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**Prior Audit Findings Summarized with Current Status**

This is the first full scope internal audit of the El Paso County Employee Picnic donation and expenditure processes. A limited scope review of donation receipts, expenditures and reconciliations has been performed in the past to ensure proper usage of donated funds. There were no prior findings for this event.

**Current Audit Findings & Action Plans**

Finding #1		Risk Level <b>M</b>	
<p><u>Documented Policies and Procedures</u> – The El Paso County Employee Picnic Committee does not have documented policies and procedures. It is best practice to have documented policies and procedures to provide operational guidance and consistency. Examples of functions that should be addressed and documented are as follows:</p> <ul style="list-style-type: none"> <li>• Receipting and collection of donations</li> <li>• Documenting and recording of picnic expenses</li> <li>• Timely deposit law compliance</li> <li>• Deposit preparation</li> <li>• Security and storage of donated funds</li> <li>• Segregation of duties</li> <li>• Procedures involving employee usage and reimbursement of personal funds for picnic expenses</li> </ul> <p>The lack of strong, documented policies and procedures weakens the internal controls and fails to offer guidance to the current and future committee members. This increases the risks of loss, theft, fraud and inconsistent processes.</p>			
<b>Recommendation</b>			
<p>The El Paso County Picnic Committee should develop and document policies and procedures addressing the above key functions and any other functions deemed necessary.</p>			
<b>Action Plan</b>			
<b>Person(s) Responsible</b>	<b>The El Paso County Picnic Committee</b>	<b>Estimated Completion Date</b>	<b>December 2019</b>
<p>The El Paso County Picnic Committee creates an After Action Report/Improvement Plan which details such areas as:</p> <ul style="list-style-type: none"> <li>• Objectives</li> <li>• Overview and statistics</li> <li>• Operations (event preparation and procedures)</li> <li>• Notice and invitation distribution</li> <li>• Incentives and prizes</li> <li>• Vendors and participating staff</li> </ul> <p>The committee will continue to use this report as a basis for policies and procedures. Further, the committee will continue to review and update this report as needed and incorporate any recommended policies and procedures.</p>			



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**Finding #2** **Risk Level** M

Depositing of donated funds – All 30 donation receipts issued for the County picnic were traced to a deposit entered into the MUNIS system. The following was noted:

- Twenty-three out the 30 (77%) donation deposits did not comply with LGC § 113.022. The statute states all monies collected shall be deposited with the county treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met monies must be deposited, without exception, on or before the fifth business day after receipt. The discrepancies ranged from six to thirty-six days.
- Two of the receipts noted, #002150 (dated 9/16/2019) in the amount of \$100 and #002143 (dated 8/23/2019) in the amount of \$500 were noted as cash deposits but were not deposited with the county treasurer until September 27, 2019, five business days after the picnic occurred. When questioned, it was discovered that these cash deposits were not deposited in order to be used at the picnic for unexpected incidentals or expenses.

The untimely depositing of funds increases the risk of fraud, theft and misuse or loss of donated funds.

**Recommendation**

We recommend all deposits be made in compliance with LGC § 113.022. This can be accomplished by creating policies and procedures to reference the government code mentioned above to document the time frame allowed for depositing funds. Further, if cash might be needed for the day of the event, it is recommended the committee request funds from the employee picnic account prior to the event and remit the remaining funds along with proper picnic expense supportive documentation after the event.

**Action Plan**

<b>Person(s) Responsible</b>	<b>The El Paso County Picnic Committee</b>	<b>Estimated Completion Date</b>	<b>December 2019</b>
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The El Paso County Picnic Committee agrees with recommendation. The statute will be discussed and presented to all committee members and will be incorporated in the current After Action Report/Improvement Plan. Further, the committee will address the process of requesting funds prior to the event to be used for necessities as they arise the day of the event. This will prevent the committee from holding and using cash donations the day of the event and increasing the risk of LGC § 113.022 noncompliance and possible loss or theft of donated funds.

**Finding #3** **Risk Level** M

Receipting of donated funds – We reviewed all 30 donation manual receipts issued for the County picnic, the following was noted:

- Fifteen out of the 30 (50%) donation manual receipts did not have the donor’s signature on the receipt indicating verification of the donation amount.
- Manual receipt numbers 002135 and 002155 were issued to the same individual for the same amount. Upon inquiry, it was determined that receipt number 002155 was issued in error, however the erroneous receipt was not marked as “VOID”.
- One of the donations accepted in the amount of \$250.00 was not receipted but was deposited and recorded in MUNIS.

It is best practice for all donations accepted to be manually receipted with proper donor information recorded. Improperly recorded receipts may increase the risk of theft, misuse or loss of donated funds.



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<b>Recommendation</b>			
We recommended due care and consistent policies and procedures be implemented when issuing manual receipts. All manual receipts should contain proper donor information, the amount received and the tender type. Further, if a receipt is issued in error that receipt should be marked as "VOID" and be kept in the manual receipt book for audit purposes.			
<b>Action Plan</b>			
<b>Person(s) Responsible</b>	<b>El Paso County Picnic Committee</b>	<b>Estimated Completion Date</b>	<b>December 2019</b>
The El Paso County Picnic Committee agrees with recommendation. The committee will review and discuss the best practice involving the recording of donor's signatures on manual receipts and will incorporate a consistent practice in regards to this process. Further, all receipts created in error will be marked as "VOID" and will be kept in the manual receipt book for reference and audit. Both of these agreed upon processes will be documented in the committee's After Action Report/Improvement Plan.			

<b>Finding #4</b>	<b>Risk Level</b>
	<b>L</b>
<u>Employee Expense Reimbursement</u> – A picnic expense in the amount of \$119.35 was paid in cash by a committee member and was later submitted for reimbursement. The reimbursement request was made via email to the Accounts Payable Manager indicating the committee member's name, reason for the expense and a copy of the receipt. Reimbursement requests should, at a minimum, document approval signatures from both the committee head and the committee member being reimbursed. This informal request for reimbursement increases the risk of fraud, theft and misuse of funds.	
<b>Recommendation</b>	
The Picnic Committee should develop and incorporate a reimbursement form to document relevant information and approval signatures. Further, this form and reimbursement policies should be documented in the committee's policies and procedures to ensure proper acknowledgement by committee members.	
<b>Action Plan</b>	
<b>Person(s) Responsible</b>	<b>The El Paso County Picnic Committee</b>
<b>Estimated Completion Date</b>	<b>December 2019</b>
The El Paso County Picnic Committee agrees with recommendation. The committee will seek guidance from the County Auditor's Accounts Payable Division to create a reimbursement form to be used when committee members use personal funds for picnic expenses.	