



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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05-06

May 4, 2020

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 process are documented, operating and efficient.

The audit report is attached. We tested two operational controls and six financial controls with a total of 167 samples. There were no 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 blue ink that reads "Edward A. Dion".

Edward A. Dion
County Auditor

EAD:HM:ya

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



Financial Recovery Division Audit



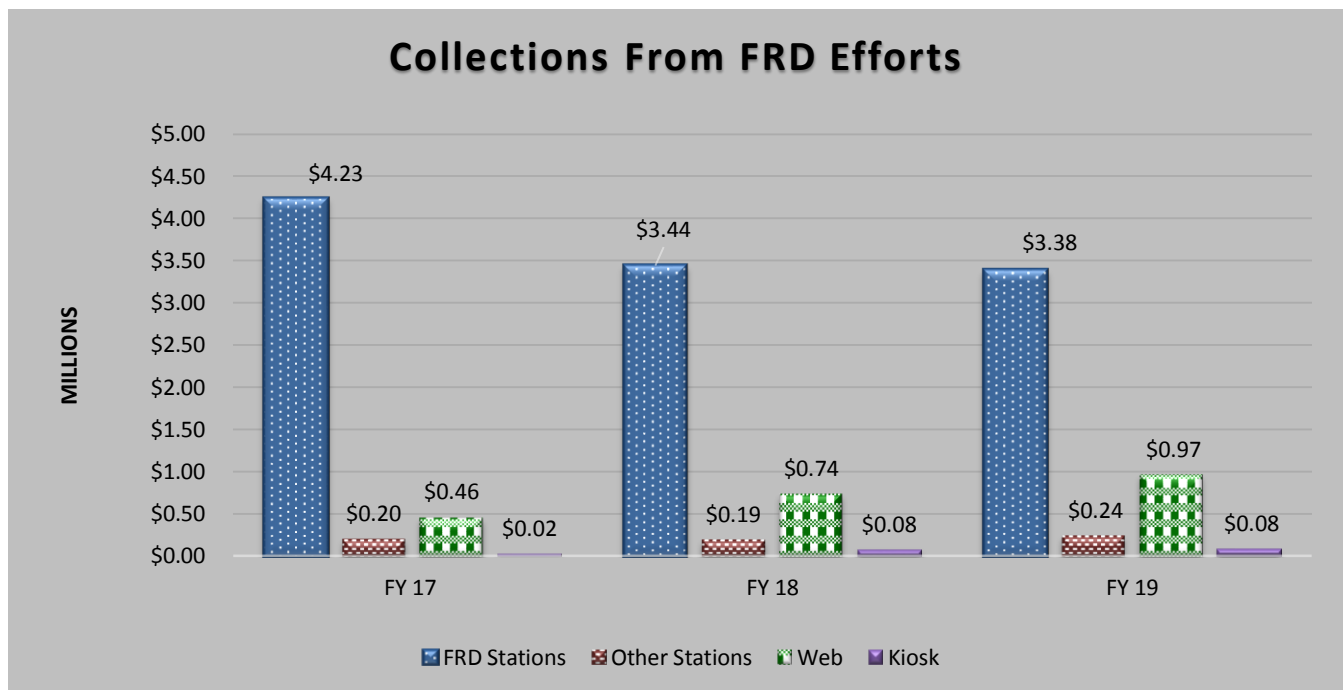
EXECUTIVE SUMMARY

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.

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

The audit was performed by Hadi Medina, internal auditor. The most recent prior audit report was issued on February 26, 2019.

AUDIT OBJECTIVES

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

Business Objective	Control Assessment
1. Adherence to documented policies and procedures	Satisfactory
2. Functioning appropriate collections controls	Satisfactory
3. Timely deposits of collections in accordance with <i>Local Government Code 113.022</i>	Satisfactory
4. Functioning appropriate void controls	Satisfactory
5. Appropriate storage and timely posting of manual receipts	Satisfactory
6. Accuracy of mail log information and timely posting	Satisfactory
7. Compliance with FRD duties of cases under the Collection Improvement Program	Satisfactory
8. Adequate non-financial security and operational measures	Satisfactory



Financial Recovery Division Audit



EXECUTIVE SUMMARY

SCOPE

The scope of the audit is from September 2018 through December 2019. The scope of this audit does not include third party payments or procedures.

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*.
- Traced a sample of deposit slips to the Miracle delivery log and the financial accounting system for compliance with *LGC §113.022*
- Verified staff Odyssey user rights and reviewed a sample of void entries to verify legitimacy of transactions and management verification logs.
- 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.
- Tested a sample of referred cases to FRD for compliance with *Texas Administrative Code, Title 1, Part 8, Chapter 325 Collection Improvement Program (CIP)*.
- Observed current security and operational processes and controls.

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 the status of prior audit report findings.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Maintain and follow department policies and procedures (Obj. 1) • Cash handling procedures (Obj. 2) • Timely deposit controls (Obj. 3) • Void controls and procedures (Obj. 4) • Manual receipt controls (Obj. 5) • Mail log controls (Obj. 6) • CIP controls and procedures (Obj. 7) • Non-financial security and operational controls (Obj.8) 	
Findings Summary	
None	

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 continues to implement improvements in their operations and have met all the objectives of this audit. Therefore, no recommendations were provided in this report.

¹ Opinion KP-0203 was issued based on the premise of authority granted by CCP Article 103.003(b-1). SB 891 repealed this statute effective September 1, 2019, which would affect the ability of a commissioner's court to control court collections. Opinion update was requested from the County Attorney and resolved with a referral to FRD. In light of SB 891, County Auditor may request reconsideration of KP-0203 by the AG Opinion Committee.



Findings and Action Plans

Prior Audit Findings Summarized with Current Status

Status

- H Closed** 1. **Finding:** 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.
Recommendation: Change funds should periodically be verified and verification 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.
Action Plan: 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 Departments attention, the shortage of \$5 has been replaced. Change fund in the amount of \$1,740 is accounted for. 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.
- H Closed** 2. **Finding:** Some daily collection dual control processes are not properly documented and daily collection procedures need to be updated.
Recommendation: 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.
Action Plan: Phone payment cash count sheets are verified daily by the division's accountant. Signature of verification was not added to 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 transactions type of payment tender.
- M Closed** 3. **Finding:** Manual receipts issued are not cross referenced consistently in Odyssey, and there is no inventory log for manual receipt books.
Recommendation: Management should verify 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.
Action Plan: 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.
- M Closed** 4. **Finding:** 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.
Recommendation: 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.
Action Plan: 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.