



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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05-07

May 4, 2020

The Honorable Jaime Esparza
District Attorney, 34th Judicial District
500 E. San Antonio, 2nd Floor
El Paso, Texas 79901

Dear Mr. Esparza:

The County Auditor's Internal Audit division performed an audit of the 34th Judicial District financial records to determine if internal controls are adequate to ensure proper preparation of District Attorney'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 seven financial controls and three operating controls with a total of 164 samples. There were five findings noted as a result of the audit procedures; one is a repeat finding. We wish to thank the management and staff of the District Attorney's office 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:DC:ya

cc: Mrs. Betsy Keller, County Chief Administrator
Ms. Karen Larose, First Assistant District Attorney
Ms. Dinna Spencer, Office Manager, District Attorney's Office



**District Attorney, 34th Judicial District Audit
For the Period of December 2018 thru November 2019**



EXECUTIVE SUMMARY

BACKGROUND

The District Attorney (DA) for the 34th Judicial District prosecutes adult felony and misdemeanor cases committed in the El Paso, Culberson, and Hudspeth Counties. The DA office also administers the Victim Assistance Program for victims of misdemeanor, felony, and juvenile crimes. Financial reports are generated from QuickBooks showing all transactions occurring each month. The audit was performed by Daisy Caballero, internal auditor. The most recent prior audit was issued in August 2018.

SCOPE

The scope of the audit includes financial records from December 2018 through November 2019.

OBJECTIVES

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

Business Objective	Control Assessment
1. Bank deposits in accordance with <i>Local Government Code (LGC) §113.022</i>	Needs improvement
2. Timely completion of bank reconciliations	Satisfactory
3. Functioning check disbursement controls	Needs Improvement
4. Adequate voided transaction controls	Needs Improvement
5. Manual receipts are properly documented and funds are deposited timely	Satisfactory
6. Compliance with the El Paso County Overages and Shortages Policy	Satisfactory
7. Accurate and complete Equitable Sharing Agreement report	Satisfactory
8. Adequate unused checks security	Satisfactory
9. Proper purchase requisitions approval procedures	Needs Improvement
10. Documentation of updated policies and procedures	Needs Improvement

METHODOLOGY

To achieve the audit objectives we:

- Reviewed a sample of the DA Special account and DA Forfeiture/Seizure account deposits and compared them to deposit supportive documentation to ensure timely deposits and proper documentation.
- Reviewed and verified the DA's monthly reconciliations of the QuickBooks financial reports to the bank statements for the DA Forfeiture/Seizures, DA Special, and DA Asset Sharing accounts
- Tested a sample of the DA Special account disbursements for proper documentation, justification, and approval
- Reviewed a sample of voided checks for justification, proper documentation, and management review
- Tested a sample of manual receipts for proper documentation, timely deposit, and posting to QuickBooks and Munis
- Reviewed the Munis overages and shortages accounts to ensure compliance with the El Paso County Overages and Shortages policy
- Reviewed the FY 2019 Equitable Sharing Agreement Report for completeness and accuracy
- Inquired about unused checks security
- Reviewed the purchase requisition work-flow for management approval and segregation of duties
- Reviewed current policies and procedures
- Previous audit action plans were reviewed for status of implementation.

RESULTS

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



**District Attorney, 34th Judicial District Audit
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EXECUTIVE SUMMARY

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Timely and accurate bank reconciliations (Obj. 2) • Manual receipt controls (Obj. 5) • Overages and shortages policy (Obj. 6) • Equitable Sharing Agreement and Certification Report procedure (Obj. 7) • Safeguarding unused checks (Obj. 8) 	<ul style="list-style-type: none"> • Timely bank deposits (Obj. 1) • Check disbursement controls (Obj. 3) • Voided transaction controls (Obj. 4) • Purchase requisition controls (Obj. 9) • Documentation of policies and procedures (Obj. 10)
Findings Summary	
<ol style="list-style-type: none"> 1. Purchase requisitions do not have documented management approval. There is a lack of segregation of duties in the ordering and receiving functions within the DA's Office. 2. Four deposits sampled (13%) were not timely (prior audit issue) and five checks received by mail sampled (16%) were not date stamped. Deposit slips do not have a unique identifying number. 3. Seventeen (38%) of the DA Special account disbursements sampled did not have justification documentation. DA Special account travel is not in compliance with the El Paso County Travel Policy. 4. Nineteen percent of voided checks sampled did not have a documented justification. None of the voided checks reviewed had documented management review or approval. 5. Documented policies 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 DA's Office has implemented some improvements in their operations per prior recommendations. However, the department only met five of the current ten objectives. Implementation of the recommendations provided in this report should assist the DA's office in producing complete and accurate financial reports by strengthening their internal control structure.



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FINDINGS AND ACTION PLANS

Prior Audit Findings Summarized with Current Status

Status

H Open

See current finding #2

- Finding:** Of the DA Special account deposits sampled, 43% were deposited in an average of 19 business days after receipt.
Recommendation: Deposits should be made in accordance with LGC) §113.022.
Action Plan: Management concurs with the recommendation. All incoming checks will be time stamped. *Unresolved*

Current Audit Findings

Finding #1			Risk Level H								
<p>Purchase Requisitions – There is a lack of segregation of duties in the ordering and receiving functions within the DA’s Office. Purchase requisitions are submitted in Munis by the senior account clerk without documented management review or approval; management is not part of the Munis purchase requisition approval workflow. The senior account clerk for the most part also receives what is delivered by the purchasing department. Lack of controls over the purchase requisition and receiving process could result in theft and misuse of County property and funds.</p>											
<p>Recommendation</p> <p>Update Munis workflow for purchase requisitions to include management approval. Further, ordering and receiving functions within the DA’s Office should be segregated and changes to the current process should be documented in procedures.</p>											
<p>Action Plan</p> <table border="1"> <thead> <tr> <th align="left">Person Responsible</th> <th align="left">Office Manager</th> <th align="left">Estimated Completion Date</th> <th align="left">05/31/2020</th> </tr> </thead> <tbody> <tr> <td colspan="4"> <p>A request has been sent to the Auditor’s office to update the purchase requisition workflow to include management approval requirements. The ordering and receiving functions within the DA’s office will be segregated. The senior account clerk will do the ordering and the office manager will do the receiving. In the event the office manager is not available, the executive secretary to the first assistant district attorney will do the receiving. This procedure will be documented in the policies and procedures manual.</p> </td> </tr> </tbody> </table>				Person Responsible	Office Manager	Estimated Completion Date	05/31/2020	<p>A request has been sent to the Auditor’s office to update the purchase requisition workflow to include management approval requirements. The ordering and receiving functions within the DA’s office will be segregated. The senior account clerk will do the ordering and the office manager will do the receiving. In the event the office manager is not available, the executive secretary to the first assistant district attorney will do the receiving. This procedure will be documented in the policies and procedures manual.</p>			
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Finding #2	Risk Level H
<p>Deposits – There were a total of 159 DA Special and Forfeiture account deposits made during the audit scope. A sample of 32 (20%) was reviewed and the following was noted:</p> <ul style="list-style-type: none"> • Four (13%) were deposited in an average of 11 business days after receipt (repeat finding) • Five (16%) checks received by mail were not date stamped • Deposit slips do not have unique sequential identifying numbers <p>LGC §113.022 requires collections to be deposited on the following day, or if that is not possible, by the fifth business day from when the money was received. The DA’s policies and procedures manual requires checks received by mail be date stamped. Best practice requires deposit slips have a unique identifying number to properly account for every deposit. Weak cash handling controls could result in misappropriation of County funds.</p>	



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FINDINGS AND ACTION PLANS

Recommendation			
<p>Make deposits in accordance with <i>LGC §113.022</i>. All checks received by mail should be date stamped immediately upon receipt. When ordering deposit slip books, it should be specified that deposit slips need to be sequentially pre-numbered.</p>			
Action Plan			
Person Responsible	Office Manager	Estimated Completion Date	05/31/2020
<p>Management concurs with the recommendations. Management is looking to modify the forfeiture checks approval process to comply with the timely deposit law. The forfeiture paper work is reviewed extensively to ensure the money is allocated as specified by the judgment. It takes around six business days for the checks to be signed after they are printed. Once the checks are signed, they are deposited. The amended procedure will be documented in the policies and procedures manual.</p> <p>New deposit slip books with sequential identifying numbers have been ordered from Vantage Bank.</p>			

Finding #3	Risk Level M		
<p>DA Special Account Disbursements– There were a total of 364 DA Special account disbursements during the audit scope. A sample of 45 (7%) was reviewed and the following was noted:</p> <ul style="list-style-type: none"> • 17 (38%) did not have supporting documentation • Eight of the 17 were for travel, none of which were in compliance with the El Paso County Travel Policy <p>The DA Special account disbursements are reported in the Asset Forfeiture Report which is subject to random State audits. The State of Texas requires relevant documentation that supports the correctness of the report to prevent an investigation and a civil penalty of up to \$100,000. The DA would also be liable for the costs of the comptroller in performing the investigation. Noncompliance with the travel policy could result in disciplinary action and cancelation of the County travel credit card.</p>			
Recommendation			
<p>Supporting documentation should be included as part of the backup documentation for all disbursements. The DA's Office should adhere to the County of El Paso Travel Policy.</p>			
Action Plan			
Person Responsible	Office Manager	Estimated Completion Date	04/06/2020
<p>Management concurs with the recommendation. The travel policy has been documented in the policies and procedures manual.</p>			



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FINDINGS AND ACTION PLANS

Finding #4		Risk Level M
<p>Voided Checks –There were a total of 103 voided checks during the audit scope. A sample of 21 (20%) was reviewed and the following was noted:</p> <ul style="list-style-type: none"> • None had documented management review • Four (19%) did not have a documented justification <p>Management should be aware of why checks are being voided. All voided checks should state the reason for the void and be documented in QuickBooks as per the DA’s policies and procedures. Lack of management review could result in vendors not receiving payment, procedure deficiencies not being addressed, and fraud.</p>		
Recommendation		
<p>Management should conduct documented reviews of voided checks. A voids report should be extracted from QuickBooks and a sample of voids should be reviewed for justification and proper documentation.</p>		
Action Plan		
Person Responsible	Office Manager	Estimated Completion Date 05/31/2020
<p>The office manager will conduct a documented review of the voided checks report on a monthly basis. The voids report will be extracted from QuickBooks. This procedure will be documented in the policies and procedures manual.</p>		

Finding #5		Risk Level L
<p>Policies and Procedures – The following policies and procedures need to be updated:</p> <ul style="list-style-type: none"> • Mail payment log procedure • Date stamping mail checks upon receipt policy • Voided checks procedure • Ordering and receiving goods/supplies process • Travel policy • Unused checks security policy <p>Policies and procedures serve as an accountability and training guide for employees and sets guidelines for consistent best practices. Lack of documented procedures can increase the risk of inconsistent practices and possible financial losses to the County.</p>		
Recommendation		
<p>The written policies and procedures should be updated to reflect current procedures and policies in use.</p>		
Action Plan		
Person Responsible	Office Manager	Estimated Completion Date 05/31/2020
<p>Management concurs with the recommendation.</p>		