



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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04-15

April 22, 2020

Mr. Luis Martinez
Audit Manager Senior
Auditor's Office
800 E. Overland, Rm 406
El Paso, Texas 79901

Dear Mr. Martinez:

The County Auditor's Internal Audit division performed an audit of County utility payment records and procedures of the General Ledger (GL) and Disbursement Reporting division of the County Auditor's Office to determine if internal controls are adequate to ensure proper preparation of utility payments reports 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 two financial controls and two operational controls using 170 samples. The audit report includes six findings as a result of the audit procedures, including four repeat findings from the prior audit. We wish to thank the management and staff of the GL and Disbursement Reporting 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

cc: Mr. Victor Perez, Financial Operations Director



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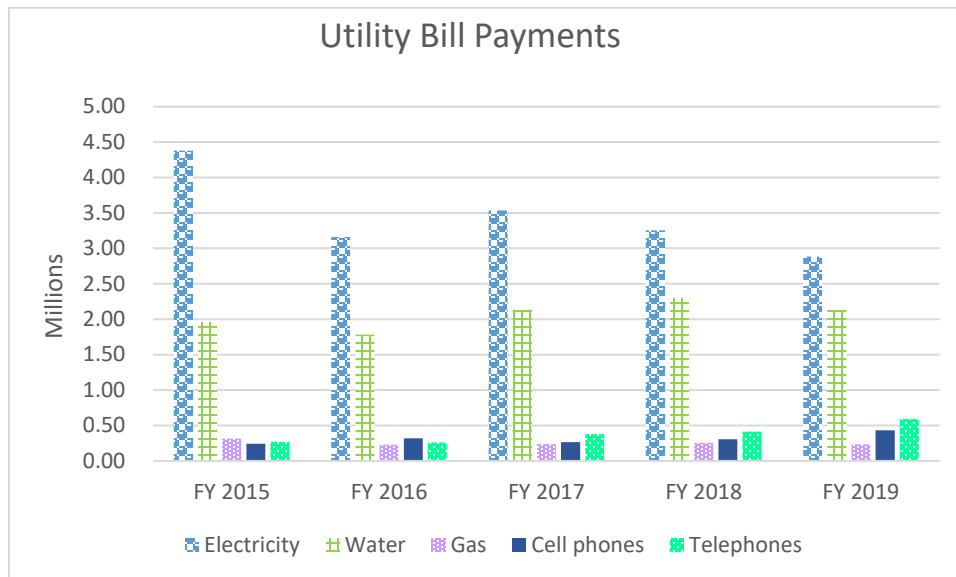


EXECUTIVE SUMMARY

BACKGROUND

GL and Disbursement Reporting Audit division (GLDRA) of the County Auditor’s Office is responsible for paying County departmental and applicable satellite location utility billings which include electricity, gas, water, telephones, and cell phones. Annually, the elected official or department head will receive utility procedures together with a list of electricity, gas, and water accounts to be charged to their respective budgets. These procedures and account listings are to be acknowledged as receipted and understood by each department. GLDRA will monitor such utility accounts for unusual variances and will request explanations from departments as warranted. Payments in Munis will include copies of supporting documentation. Departments are responsible for reviewing utility bill payments in Munis regularly, in most cases monthly, and notifying GLDRA immediately if any discrepancy is noted. Telephone (local and long distance land line) accounts bills are sent to Information Technology Department (ITD) – Communication division for review and authorization of payments. Cell phones bills are authorized by the respective department and sent to GLDRA for payment. The last Utility Bill audit report was issued in February 1, 2018. This audit was performed by Ruth Bernal, internal auditor senior.

The following chart shows the utility bill payments for the past five years.



Source: Munis and Utility Cost Reports

OBJECTIVES AND RESULTS

The audit evaluated the adequacy of controls and processes used to achieve key business objectives related to the payments of County utility bills. Following are the business objectives and related control assessment based on the audit work performed.

Business Objective	Control Assessment
1. Adherence to documented policies and procedures	Unsatisfactory
2. Timely payment of utility billings	Unsatisfactory
3. Verification of utility account existence	Unsatisfactory
4. Proper supporting documentation of payment transactions	Satisfactory

SCOPE

The scope of this audit is October 2016 through August 2019.



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METHODOLOGY

To achieve the audit objectives we:

- Reviewed a sample of utility accounts to verify timely payments, posting of payments to Munis and proper supporting documentation.
- Physically inspected a random sample of utility meters to verify existence.
- Contacted, via e-mail, a random sample of County departments to confirm accounts were current and properly classified in Munis.
- Reviewed utilities policies and procedures and verified they are followed.

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 prior audit findings as well as details and management action plan(s) for current findings.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Proper supporting documentation of payment transactions (Obj. 4) 	<ul style="list-style-type: none"> • Adherence to policies and procedures (Obj. 1) • Timely payment controls (Obj. 2) • Verification of account legitimacy (Obj. 3)
Finding Summary	
<ol style="list-style-type: none"> 1. A master list of departmental cell phone and telephone accounts is not kept and accounts are not being paid timely. (Repeat finding) 2. Departments were unable to confirm 39 phone lines in the utility account confirmation sample. 3. One electrical meter could not be located and the address of one water meter was incorrect. 4. Electricity, water, and gas accounts with minimal or no activity do not have proper documentation as to why they should remain open (repeat finding). Also, prior recommendations regarding account inactivity and payment from appropriate budgets were not implemented. 5. Not all electricity, water, and gas accounts were paid timely; 47% of sample was paid late. (Repeat finding) 6. The process of opening and closing utility accounts is not well communicated nor documented. (Repeat finding) 	

INHERENT LIMITATIONS

This financial review was designed to provide reasonable assurance that the internal control structure is adequate to safeguard County 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 utility payment process was satisfactory for one of the four objectives of this audit. 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 Open

See current finding # 4

- 1. Finding:** No usage of El Paso Electric account number 9067830000. Payment from inappropriate budget of El Paso Water Utility account number 61 0283 3000.
Recommendation: GLDRA should follow up on these accounts with appropriate departments to resolve the issues.
Action Plan: GL & Disbursement Reporting/Audit manager will ensure the division researches this information and contacts departments to take the appropriate action.
Current Status: No action taken.

H Open

See current finding #4

- 2. Finding:** 12 electric accounts had considerable variances through fiscal year 2016. After reviewing the statements, only two had explanations. Eight water accounts that had minimal or no activity remain open and had not been questioned.
Recommendation: Variances in the consumption of any utility service should be questioned before payment. Any explanation should be properly documented in the utility expense tracking worksheet in addition to the actual billing document. Accounts with no activity should be communicated to County Administration to be closed unless there is a documented reason for keeping them open.
Action Plan: Mr. Martinez has talked to the clerks responsible for the utility account payments to ensure they will analyze and question significant variances or no activity in the consumption of the utilities accounts. Explanation for variances will be included as part of the supporting payment documentation on the financial system, Munis, and in the Excel utility worksheet.
Current Status: Documentation of account variance has been completed. Documentation of accounts with minimal or no activity is still pending.

H Closed

- 3. Finding:** AT&T account no. 915 A05-0680 040 6 has an outstanding balance of \$39,527.32 on September 2016 bill and only the current amount of \$1,940.53 was authorized for payment.
Recommendations: The GLDRA should follow up with the County Attorney's Office regarding this balance and try to resolve the issue as the account is now more than 120 days past due.
Action Plan: Mr. Martinez will inquire with County Attorneys and Information Technology Departments about the status of the dispute on this account. All documentation regarding the referral and any status updates will be put in the utility master worksheet and notes be made on the processed billings for any pending balances.
Current Status: Negotiation between County Attorney and vendor continues.

H Open

See current finding #5

- 4. Finding:** Not all utility accounts are paid timely. It was explained that some invoices are not received at the Auditor's Office for payment on time. Policy has been not to pay the bill without prior departmental approval. It was also noted that Master list for utilities does not include a due date for each account, making it difficult for GLDRA to monitor accounts for timely payments. These issues were reported in prior audits.
Recommendations: County Auditor should develop and document a policy for paying utility bills on time. Such policy should be distributed to affected departments with acknowledgement of receipt and understanding from the departments. We also recommend the due date be included on the account master list and be monitored to ensure bills are paid timely.
Action Plan: Mr. Martinez has formalized the County Auditor policy for paying utilities. Acknowledgement of receipt and understanding of the policy will be requested of affected departments annually at the time of change of an elected official or department head for



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Status

which this policy applies. For the future, this will enable the County Auditor to process utility bills promptly upon receipt.

Current Status: Action Plan was implemented on November 2019.

M Open

See current Finding #1

5. **Finding:** A telephone accounts master list is not kept.

Recommendations: We recommend a telephone account master list be created that includes the account number, due date, and department funds from which the account is paid.

Action Plan: Mr. Martinez will instruct the clerk responsible for payment of the telephone bills to create a master list of the telephone accounts paid by the County to be used for monitoring timely payments. Mr. Martinez will ensure the division takes appropriate action to ensure compliance.

Current Status: A master list is still being developed.

M Open

See current Finding #6

6. **Finding:** Policies and procedures for GLDRA regarding the receipt of utility bills does not reflect current procedures. In addition GLDRA is not always notified of the opening and closing of County utility accounts.

Recommendations: Written policies and procedures for utilities should be updated to reflect current procedures and any new procedures related to the County's recently implemented financial system. Also, a method to effectively communicate to GLDRA the opening and closing of County utility accounts. This item should also be part of the El Paso County Building Standards and Space Allocation Policy which requires all request for any changes thereof, to be processed through the Facilities Management Division of the Public Works Department with subsequent notification to the GLDRA.

Action Plan: Mr. Martinez will contact Public Works Department and County Administration to ensure the responsibility for opening and closing utility accounts is formally documented in County policies. Once responsibility is determined, appropriate policies and procedures will be updated.

Current Status: GLDRA procedures have been updated. No action has been taken regarding the El Paso County Building Standards and Space Allocation Policy.

Current Audit Findings and Action Plans

Finding # 1	Risk Level H
<p>Master lists and timeliness of payments – Fiscal year 2016 through 2019 monthly billing for eleven accounts were analyzed. The most recent billing was reviewed to determine the status of accounts with questionable payment history (five cell phone accounts, three long distance accounts, and three telephone accounts). The following was noted:</p> <ul style="list-style-type: none"> • 10 of 11(91%) accounts had previous balances. • Three accounts were assessed late payment fees (two long distance and one local telephone account). On one account, bills were paid from October through March 2019 in April 2019. It was explained that the bills were for different departments and a breakdown of the expenses was needed in order to pay the bill from the appropriate departmental account. Requests had been made to the vendor to break the bill per department without success; Information Technology Department Communication division performed the breakdown based on an estimate of lines per department. This practice continues for future billings. • A cell phone account master list has not been created. 	



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- A telephone account master list has not been created. Currently, GLDRA is still working with the Information Technology Department Communication division to create a list of County telephone accounts. (Prior audit finding)

Not having a master list of telephone and cell phone accounts increases the risk of paying for accounts that don't belong to the County and incurring late fees.

We recommend GLDRA maintain master lists for cell phone and telephone accounts. The master lists must include the telephone number, department, and due date to help deter accounts from becoming past due. The telephone master list must also include the type of service (fax, alarm system, or internet).

Action Plan

Person Responsible	Audit Manager Senior	Estimated Completion Date	December 31, 2020
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GLDRA is working with Information Technology Department to prepare a master list of the telephones. Also, they will prepare a master list of the cellular accounts.

Finding # 2

Risk Level H

Utility Account Confirmations – From a total of 26 departments, 7 were selected to confirm their utility accounts via email. Utility accounts included water, gas, electric, cellular accounts and telephone lines. The following was noted:

- Facilities Management - 4 telephone lines were not recognized by the department.
- Medical examiners- 2 telephone lines were not recognized by the department.
- Sheriff's Office- 17 telephone lines were not recognized by the department.
- Juvenile Probation – 11 telephone lines pending location verification.
- Tax Office- 1 line was not recognized, and 2 lines belong to another department. In addition, 2 telephone lines were requested to be closed in 2017 but remain open.

When the unrecognized telephone lines were questioned, it was brought to our attention they could be related to the alarm system; however, this could not be confirmed due to the lack of an official list identifying which telephone lines are used by the alarm systems. This information is crucial in ensuring all telephone lines are properly accounted for. If a line is not properly identified as being used for an alarm system, it could be closed and compromise the security system. If lines are not alarm system lines, the County could be paying for lines that are not in use and should be closed.

Recommendations

We recommend questionable telephone lines be researched by the GLDRA in order to determine if the line should remain open and maintained or closed due to lack of activity. Further, the division must maintain a master list of the County telephone and cell phone accounts as recommended for finding #1.

Action Plan

Person Responsible	Audit Manager Senior	Estimated Completion Date	June 30, 2020
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GLDRA will follow up with the departments that did not recognize telephone lines and do the research to determine if they are County telephone lines. They will also contact facilities to help determine lines that may be utilized for security systems.

Finding # 3		Risk Level H	
<p>Meter Physical Verification – A sample of 21 water, gas, or electric utility accounts were selected for physical meter verification. The following was noted:</p> <ul style="list-style-type: none"> • One water account had a service address of Pecos St.; however, the meter was located on an adjacent street, Fonseca Drive. • One electrical meter could not be located. <p>It is very important to properly identify meter locations to ensure the County is not paying for utilities not related to County business.</p>			
Recommendations			
<p>We recommend the GLDRA contact the water company and request the address be changed to reflect the correct location. Also, the division should enlist assistance from the electric company to locate the meter not found.</p>			
Action Plan			
Person Responsible	Audit Manager Senior	Estimated Completion Date	May 31, 2020
<p>GLDRA will contact the water company and request the address change. In addition, they will contact the electric company to locate the meter not found.</p>			

Finding # 4		Risk Level H	
<p>Account variances – An analysis was performed on 13 electric, 8 gas, and 23 water accounts that had minimal or no activity. GLDRA has improved their updating the master utility list for these services when accounts with variances are questioned and answers are obtained from the departments; however, six accounts with minimal or no activity, did not have proper documentation noting why the account should remain open. (Prior audit finding #2)</p> <p>In addition, prior audit finding #1, relating to no usage on El Paso Electric Account 906783000 and inappropriate budget usage for El Paso Water Utility account 61 0283 3000, remains unresolved.</p> <p>These issues increase the risk of the County paying for an account that is not needed and a department paying for another department’s utility. Also, timely payment issues continue as in the prior audit.</p> <p>Note: The new policies and procedures formalized as part of the action plan on the prior audit were implemented November 8, 2019. This audit scope covers from October 2016 through August 2019. The new procedures are expected to help with timely payments.</p>			
Recommendations			
<p>As previously recommended, any explanations should be properly documented in the utility expense tracking worksheet. We also recommend accounts with no activity for more than 90 days be communicated to Facilities</p>			



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division of the Public Works Department to be closed unless there is a documented reason for keeping them open. In addition, GLDRA must follow up on these accounts with appropriate departments during the 90 days to try to resolve any issues.

Also, as recommended in the last two audits, GL & Disbursement Reporting Audit division should take appropriate action to ensure the issues with electric account 9067830000 and water account 61 0083 3000 are resolved.

Action Plan

Person Responsible	Audit Manager Senior	Estimated Completion Date	June 30, 2020
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GLDRA will identify the accounts with no activity and make a note why the account must remain open. Prior audit issues related to the electric and water accounts noted will be resolved.

Finding # 5

Risk Level **H**

Electricity, Water, and Gas accounts Review - Not all electricity, water, and gas accounts were paid timely. **An analysis of payments for utilities was performed and a** sample of 47 utility billings (11 electricity, 26 water, 10 gas) were reviewed for timely payments and authorization; the following exceptions were noted:

- Twenty-two (47%) transactions were paid late;
- Sixteen (34%) transactions had prior balances.
- Two (4%) billings were noted with a “Past due action notice” statement.

In addition, ten bills were addressed to the attention of specific employees, some of whom no longer work with the County. It was also noted the master list for utilities still does not include a due date for each account.

Recommendations

We recommend due dates for each account be documented on the master list. The new policies and procedures to pay bills without prior departmental approval from the action plan in the prior audit were not implemented until November 2019. The implementation of the new procedures will help to timely pay the water, electricity, and gas bills.

Action Plan

Person Responsible	Audit Manager Senior	Estimated Completion Date	June 30, 2020
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GLDRA will include the due date of each of the accounts on the master list to help monitor the timeliness of payments. The implementation of the new procedures is expected to help to improve the timeliness utility payments.

Finding # 6

Risk Level **M**

Policies and Procedures for communication between departments – Policies and procedures involving the communication between departments when opening and closing of utility accounts are not well documented. This is a prior audit finding. While reviewing the Sheriff Department’s gas payment transactions, 23 months of gas service were paid on February 1, 2019. Upon inquiry, it was explained that upon completion of a construction project at the Sheriff’s Jail Annex, the construction company transferred the account to the County without



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informing the GLDRA. The account was not addressed until the Sheriff's department received a notification of service disconnect due to non-payment. It is crucial that all utility accounts opened or closed be communicated to GL and Disbursement to ensure proper documentation and timely payment.

Recommendations

As previously recommended, a policy and procedure to effectively communicate the opening and closing of all utility accounts to GL and Disbursement division be established and documented. This should be included in the El Paso County Building Standards and Space Allocation Policy which requires all requests for the allocation, assignment, designation, renovation, modification, alteration, or expansion of existing space, and any changes thereof, to be processed through the Facilities Management division of the Public Works department with subsequent notification to the County Auditor's GL and Disbursement division.

Action Plan

Person Responsible	Audit Manager Senior	Estimated Completion Date	August 31, 2020
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GLDRA will contact Public Works Department to establish ways of communication when a utility account needs to be opened or closed to facilitate payment issues and will suggest an update to the EL Paso County Building Standards and Space Allocation Policy.