



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

EDWARD A. DION, CPA
COUNTY AUDITOR
edion@epcounty.com
www.epcounty.com/auditor

County Administrative Offices
800 East Overland Street, Rm.406
EL PASO, TEXAS 79901-2407
(915) 546-2040
(915) 546-8172 FAX

07-15

July 30, 2020

The Honorable Jo Anne Bernal
County Attorney
Room 503, County Courthouse Building
500 E. San Antonio
El Paso, Texas 79901

Dear Ms. Bernal:

The County Auditor's Internal Audit division performed an audit of the County Attorney's Office financial records for April 2018 through December 2019 to determine if internal controls are adequate to ensure proper preparation of County 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 one operational control and seven financial controls with a total of 175 samples. There were two observations noted as a result of the audit procedures. We wish to thank the management and staff of County 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,

A handwritten signature in blue ink that reads "Edward A. Dion".

Edward A. Dion
County Auditor

EAD:RB:ya

cc: Ms. Betsy Keller, Chief Administrator

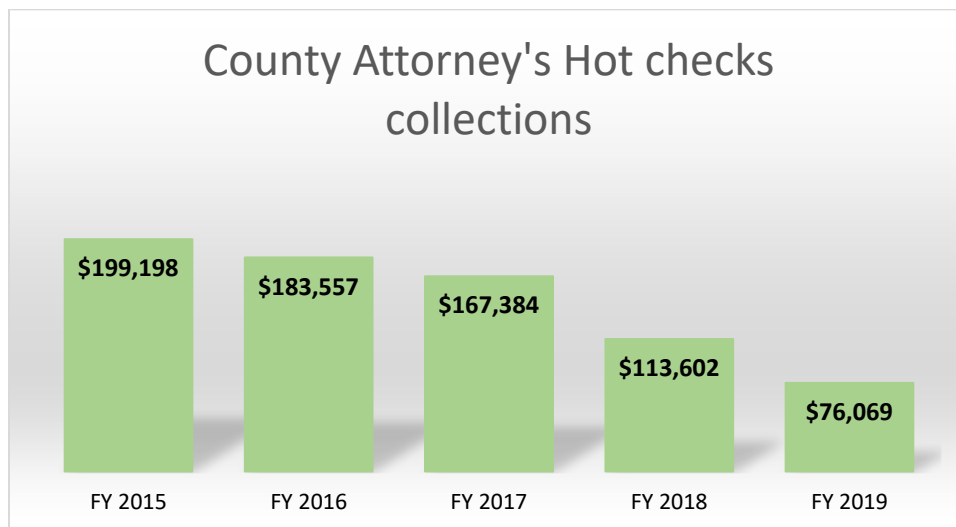


**County Attorney's Office
Hot Check Division
For the period of April 2018 – December 2019
FINDINGS AND ACTION PLANS**

BACKGROUND

The County Attorney's Office enforces state laws which prohibit the passing of insufficiently funded checks (hot checks) serving as payments to both merchants and individuals. Victims of these hot checks file a theft by check case with the El Paso County Attorney's Office. Texas statute authorizes the El Paso County Attorney to process and attempt collection of hot checks if the amount is less than \$2,500.00. Checks are pre-screened for probable cause of a Theft by Check (TPC §31.06), Theft of Service (TPC §31.04) or issuance of a Bad Check (TPC §32.41.) Victim restitution payments and County Attorney fees (based on CCP §102.007) are issued once settlement payments are received from the defendant. Financial reports are generated from the Odyssey Courts and Justice System (Odyssey) showing all transactions occurring each month. This audit was performed by Ruth Bernal, internal auditor senior. The most recent prior audit report was issued on November 1, 2018.

The following chart is a comparison of hot checks and fees collected at County Attorney's Office for the past five fiscal years. The steady decline in collections is attributed to payment methods at merchants migrating from checks to credit cards, leading to fewer hot checks. The County Attorney's Office continues to work with Check Connections in an effort to received more checks and extend service to other merchants in the community.



Source: Odyssey reports

OBJECTIVES AND RESULTS

The audit evaluated the adequacy of controls and processes to achieve key business objectives related to County Attorney financial reports. Following are the business objectives, related control assessment based on the work performed.

Business Objective	Control Assessment
1. Documented and updated policies and procedures	Satisfactory
2. Functioning appropriate cash controls	Satisfactory
3. Timely bank deposits in accordance with Local Government Code (LGC) §113.022	Satisfactory
4. Timely submission for posting of deposits to Munis	Satisfactory
5. Adequate void and adjustments transaction controls.	Needs Improvement
6. Proper and timely disbursements of restitution checks to victims.	Satisfactory
7. Bad Check account Munis records are complete and accurate.	Satisfactory
8. Maintain proper supporting documentation of transactions.	Needs Improvement



**County Attorney's Office
Hot Check Division
For the period of April 2018 – December 2019
FINDINGS AND ACTION PLANS**

SCOPE

The scope is April 2018 through December 2019

METHODOLOGY

To achieve the audit objectives we:

- Reviewed policies and procedures for completeness and updates;
- Performed a surprise cash count on February 4, 2020, in accordance with *Texas Local Government Code (LGC) §115.0035*;
- Reviewed a sample of daily collections to verify they were deposited in accordance with *LGC § 113.022*.
- Reviewed a sample of daily cash count sheets to determine deposit completeness, accuracy and posting to the County financial system, Munis
- Reviewed all voided transactions and a sample of credit adjustments to determine adequate controls are in place.
- Tested a sample of restitution checks issued to verify disbursements were made only after funds were received.
- Reviewed Bad check account activity in Munis records and compared to County Attorney's transactions and bank statements to verify all records were submitted to the Auditor's Office timely.
- Conducted interviews with County Attorney personnel to determine proper cash handling processes and controls, such as adequate segregation of duties, dual controls, and safeguarding of information and assets.

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 details and management action plan(s).

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Policies and procedures. (Obj. 1) • Functioning appropriate cash controls (Obj. 2) • Timely deposit of daily collections. (Obj. 3) • Submission for posting deposits to Munis (Obj. 4) • Proper and timely disbursements of restitution checks to victims. (Obj. 6) • Bad check account Munis records are complete and accurate. (Obj. 7) 	<ul style="list-style-type: none"> • Adequate void and adjustments transaction controls (Obj. 5) • Maintain proper supportive documentation (Obj. 8)
Finding Summary	
<ol style="list-style-type: none"> 1. Lack of internal controls for credit adjustments, specifically segregation of duties and not including explanations in Odyssey. 2. Credit cards are copied and included as deposit documentation. 	

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.



**County Attorney's Office
Hot Check Division
For the period of April 2018 – December 2019**

FINDINGS AND ACTION PLANS

CONCLUSION

The internal control structure of the County Attorney's Office was satisfactory for six of the eight objectives of this audit. However, implementation of the recommendations provided in this report should assist in strengthening the internal control structure.

Prior Audit Findings Summarized with Current Status

Status

- H Closed** 1. **Finding:** Documented Policies and Procedures are not updated.
Recommendation: Policies and procedures should be updated and include specific details
Action Plan: Recommendations have been met.
- H Closed** 2. **Finding:** Eleven checks issued from March 2014 through September 2017 are still outstanding from Bad check account.
Recommendation: County Attorney's Office should coordinate with Cash Management – Audit division to obtain a copy of the bank reconciliation on a monthly basis.
Action Plan: County Attorney's office voided checks outstanding for more than six months; they are doing some research to determinate if the checks issued to County employees and the County need to be reissued. Also, Cash Management Audit division had been contacted to obtain the bank reconciliations on a monthly basis in order to County Attorney's Office can have access to the information and take the corresponding action to correct any problems.

Current Audit Findings & Action Plans

Finding #1			Risk Level H								
<p>Credit adjustment internal controls – While reviewing a sample of 30 theft by check cases with credit adjustments the following was noted:</p> <ul style="list-style-type: none"> • The cashier who collects for theft by check cases can also post credit adjustments which results in a lack of segregation of duties. This lack of segregation of duties increases the risk of fraud and records manipulation by providing the opportunity for posting a payment as a credit adjustment. • In Odyssey, an explanation for the credit adjustments are not posted. Posting a credit adjustment without an explanation, increases the risk of posting an unauthorized credit adjustment. Proper documentation provides evidence of what has occurred and provides information for research as necessary. 											
<p>Recommendations</p> <p>We recommend credit adjustments be posted by employees who do not collect payments. Further, when credit adjustments are posted, posting must include a detailed explanation as to the reason why the adjustment was made.</p>											
<p>Action Plan</p> <table border="1"> <thead> <tr> <th align="left">Person Responsible</th> <th align="left">Trial Team Chief</th> <th align="left">Estimated Completion Date</th> <th align="left">June 30, 2020</th> </tr> </thead> <tbody> <tr> <td colspan="4"> <p>Administrative closures will be performed only by the Administrative Assistant Senior and notes for the reason of the administrative closure will be included in Odyssey on the Attorney and Check manager modules. Policies and procedures have been updated to reflect the change on the procedure.</p> </td> </tr> </tbody> </table>				Person Responsible	Trial Team Chief	Estimated Completion Date	June 30, 2020	<p>Administrative closures will be performed only by the Administrative Assistant Senior and notes for the reason of the administrative closure will be included in Odyssey on the Attorney and Check manager modules. Policies and procedures have been updated to reflect the change on the procedure.</p>			
Person Responsible	Trial Team Chief	Estimated Completion Date	June 30, 2020								
<p>Administrative closures will be performed only by the Administrative Assistant Senior and notes for the reason of the administrative closure will be included in Odyssey on the Attorney and Check manager modules. Policies and procedures have been updated to reflect the change on the procedure.</p>											



**County Attorney's Office
Hot Check Division
For the period of April 2018 – December 2019
FINDINGS AND ACTION PLANS**

Finding #2		Risk Level H
<p>Credit Card copies - Customer credit cards are photo copied when they are presented for payment. These copies are then included in the deposit as supporting documentation when submitted to the County Auditor's Cash Management division for posting in the Munis system. This documentation is accessible to any employee with inquiry access in the Munis system. This practice increases the risk of unauthorized or fraudulent use of credit card information. In addition, the storing of full credit card information is a high risk to the County as it may result in monetary fines for non-compliance with Payment Card Industry Data Security Standards.</p>		
Recommendations		
<p>Photo coping credit cards when presented for payment is not best practice. If a photo copy is needed, credit card numbers must be redacted leaving only the last four numbers visible to prevent credit card information being compromised.</p>		
Action Plan		
Person Responsible	Trial Team Chief	Estimated Completion Date June 11, 2020
<p>County Attorney's Office will cease to make copies of the payee's ID or credit card. Policies and procedures have been updated to reflect the change on the procedure.</p>		