



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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12-13

December 15, 2020

Ms. Barbara Franco
County Auditor First Assistant
County Auditor's Office
800 E. Overland, Rm 406
El Paso, Texas 79901

Dear Ms. Franco:

The County Auditor's Internal Audit division performed an audit of County Auditor department payments received by mail processes to determine financial and operational controls are adequate to ensure proper compliance with divisional and statutory requirements. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating and efficient.

The audit report is attached. We tested four operational and one financial control using 98 samples. There were two findings noted as a result of the audit procedures, including one repeat finding. We wish to thank the management and staff of the Financial System Maintenance Support Audit and Cash Management Audit divisions 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,

Edward A. Dion
County Auditor

EAD:RB:ya

cc: Mr. Victor Perez, Financial Operations Director
Mr. Esteban Fernandez, Audit Manager Senior
Mr. Raymond Gomez, Audit Manager



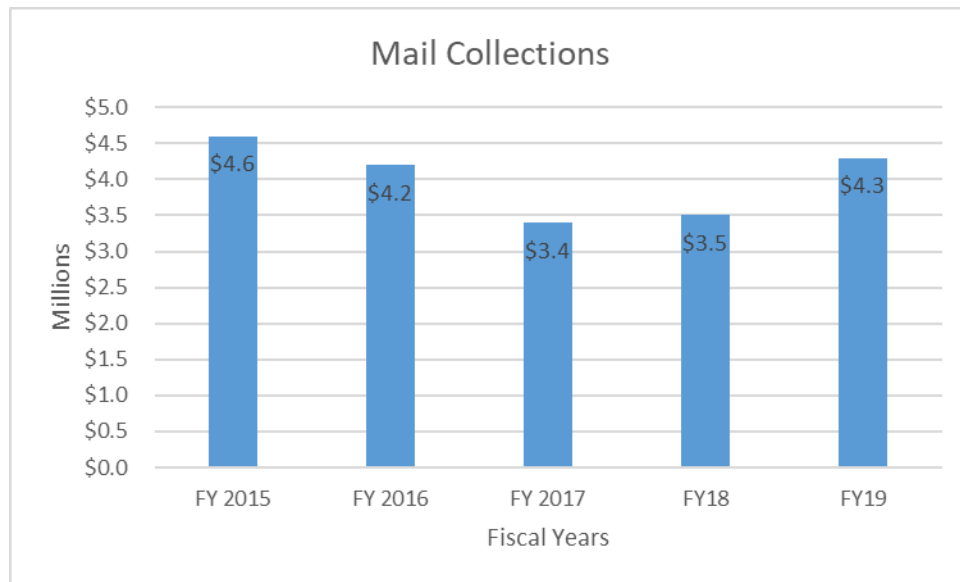
**County Auditor's Office
Payments by Mail Audit
May 2018 to April 2020
EXECUTIVE SUMMARY**



BACKGROUND

Mail for the County Auditor's Office is received by the Financial System Maintenance Support Audit division (Administration). Mail payments received include payments for County services, fines and fees owed to the County, as well as payments initially issued by the County Auditor's Office but returned for various reasons. Proper management of payments received by mail is particularly important because the payee is not present at time of receipt. Payments are logged and forwarded to the Cash Management Audit division (CM) for revenue coding and deposit to appropriate bank account(s). County Auditor's Office returned payments are also logged on a separate log and forward to CM for custody until further research is done to determinate the proper destination of the check. The audit was performed by Ruth Bernal, internal auditor senior. The prior payments by mail audit report was issued April 20, 2018.

The following chart is a comparison of the mail collections at the Auditor's Office for the past five fiscal years.



Source: Daily mail logs

OBJECTIVES

The audit evaluated the adequacy of controls and processes to achieve key business objectives related to mail payments. Following are the business objectives and related control assessments.

Business Objective	Control Assessment
1. Adherence to maintained policies and procedures.	Satisfactory
2. Effective and efficient documenting of mail payments.	Needs Improvement
3. Timely deposit of payments received in accordance with Local Government Code (LGC) 113.022	Satisfactory
4. Adequate supporting documentation for payments and returned payments received by mail.	Need Improvement
5. Proper documenting and timely follow up of returned payments by mail	Need Improvement

SCOPE

May 2018 through April 2020.

METHODOLOGY

To achieve the audit objectives we:



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- Reviewed policies and procedures to ensure proper maintenance and documented updates.
- Reviewed a sample of mailed-in payment daily logs to ensure proper recording and scanning by Administration.
- Cross referenced a sample of Administration daily logs to CM daily logs to ensure each check logged was deposited and in statutory compliance with LGC 113.022.
- Verified a sample of daily log entries to ensure proper posting of supporting documentation in Munis.
- Tested a sample of daily returned payment logs to ensure proper recording and scanning by Administration.
- Cross referenced a sample of Administration returned payment logs to CM returned payment logs to ensure completeness and accuracy.

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 the prior audit report findings, and related details and management action plans for the current findings.

Control Summary	
Good Controls	Weak Controls
1. Maintain and follow policies and procedures (Obj. 1) 2. Timely deposit (Obj. 3)	1. Effective and efficient documenting of mail payments. (Obj. 2) 2. Adequate supporting documentation for payments and returned payments received. (Obj. 4) 3. Log and follow-up of returned payments by mail (Obj. 5)
Finding Summary	
1. Some payments and logs were not scanned; logs were issued out of sequence; and some payments did not have information available to track them. 2. Returned payment logs were missing and some returned payments were not properly tracked.	

INHERENT LIMITATIONS

This audit 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 internal control structure of the County Auditor's Office payments by mail did not meet three of five 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 # 1

- 1. Finding:** Payments are not always scanned and log control numbers are not static.
Recommendation: The payments received by mail should be logged and scanned on a daily basis by the Financial System Maintenance Support-Audit division. Also, daily mail logs should be properly completed by both divisions to document the proper handling of mail collections. The log template field containing the automatically generated control number should be copied as a value before submission to Cash Management-Audit to be sure the control numbers remain consistent. Auditor's note: the control number issue was corrected when brought to management's attention.
Action Plan: Mr. Fernandez has counseled employees of the Financial System Maintenance Support-Audit division about the proper handling of payments by mail and will have them read and sign the policies and procedures and will periodically monitor for compliance.
- 2. Finding:** Logs do not include the date, total of funds received, nor the tender type and document number (check number, money order number, etc.) received.
Recommendation: Mail logs should include critical control information such as the tender type, document number, and the total of funds received to establish a clear audit trail.
Action Plan: The mail log template was modified to include these recommendations on 3/20/18
- 3. Finding:** The policies and procedures had not been updated to reflect the current procedures for the payments by mail.
Recommendation: Policies and procedures should be reviewed and updated if necessary at least once a year. Detail information should be included in the procedures such as an example of the log; documents that need to be scanned; and information that needs to be logged by the corresponding division. Also, it is very important that the employees know where to locate the policies and procedures for their guidance. It is also recommended that the Internal Audit Division oversee copies of all division standard operating procedures and furthermore ensure such policies and procedures are reviewed and updated annually or more often as warranted.
Action Plan: Policies and procedures will be updated to include the recommendations. A copy will be provided to Internal Audit division for their review. A copy also will be provided to the employees be read and signed. These policies and procedures will be incorporated to the Auditor's Office Standard Operating Procedures which is currently a work in progress, and employees will be made aware of where can they locate them for references.

H Closed

M Closed



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FINDINGS AND ACTION PLANS

Current Audit Findings

Finding #1	Risk Level H
<p>Payments received by mail logs – We found a 34% error rate on the sample tested to ensure proper recording, documenting and accounting for payments received by mail. The sample included 58 daily logs, consisting of 244 entries; 20 of the days tested had one or more issues as noted below. Procedures require Administration to log and record all mailed payments received by the County Auditor's Office using electronically generated sequentially numbered log sheets. These logs and all payments received are scanned and then original documents submitted to CM for proper accounting. Admin also emails the log to CM and CM updates the log with deposit slip numbers and saves them to their files.</p> <p>Administration logs:</p> <ul style="list-style-type: none"> • Three were not scanned, but payments were • Four were scanned, but the payments were not • Four had duplicate control numbers • Four contained non-sequential control numbers • Seven control numbers were missing and there was no supporting documentation. • Seven contained errors or were incomplete with missing information • Two logs had payments manually entered after the log was printed <p>CM logs:</p> <ul style="list-style-type: none"> • Nine items on eight logs did not have a deposit slip number documented and there was no documented explanation of what happened to the payment. <i>(CM said these did not belong to the County and were returned or given to the appropriate entity)</i> • Payments received by other divisions through mailed correspondence are accepted by the CM division without initially being logged and scanned by Administration. <p>Proper documentation and recording of mailed payments is crucial in reducing the risk of possible fraud and misuse of County funds. Further, adherence to the chronological order of processes will ensure all payments are documented and recorded properly.</p>	
<p>Recommendations</p>	
<p>Recommendations for Administration:</p> <ul style="list-style-type: none"> • Create a daily log to include, individuals name making log entry, the control numbers, dates, number of payments received and amounts received. This worksheet will help to prevent duplicate control numbers and keep a summarized record of payments received by mail for future analysis. • Voided control numbers must be documented with a clear and concise reason for the void. • All mailed payment daily logs must be completely filled out and scanned with corresponding documented payments. • If additional payments are received after a log has been submitted, a new log shall be prepared. Manual entries are not be permitted. <p>Recommendations for CM:</p> <ul style="list-style-type: none"> • Once the daily log is accepted and payments received are deposited, CM must update the log with the corresponding deposit slip number. If a payment must leave the possession of the CM division without being deposited, a notation should be made on the daily log indicating the reason for transfer, the name of the division or department and name of the individual requesting the payment. • If a mailed payment is presented to CM from a division other than Administration for processing, CM must direct the individual to submit the payment to Administration first in order to properly document payment acceptance. 	
<p>Action Plan</p>	



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FINDINGS AND ACTION PLANS

Person Responsible	Administration & Cash Management	Estimated Completion Date	12/11/20
Policies and procedures will be updated to include recommendations and distributed to the employees to make staff aware of the new procedures and sign off to acknowledge. Administration will remind its employees of the importance of following procedures and the repercussions for noncompliance. Cash Management immediately implemented the recommendations when the finding was brought to their attention. Future failure to comply with prescribed operating protocols will result in progressive disciplinary action.			

Finding #2	Risk Level H		
<p>Returned payment logs and documentation- A sample of 40 daily returned payment logs, consisting of 121 entries, were tested to ensure proper recording, documenting and tracking by both divisions. Payments, initially issued by the County are sometimes returned due to various reasons. Procedures require such checks be logged and documented by Administration. The following findings were noted:</p> <p>Administration:</p> <ul style="list-style-type: none"> Of the 40 daily logs sampled, ten (25%) could not be found. However, of the ten missing logs, CM had record of receiving five. <p>Cash Management Audit:</p> <ul style="list-style-type: none"> Eleven returned payments logged on Administration logs were not included on CMA logs. <p>Proper recording, documenting and tracking of returned payments will reduce the risk of possible fraud or theft. Further, functioning controls and processes will ensure returned payments are made to the proper vendors and customers in a timely manner.</p>			
Recommendations			
<p>Recommendations for the Administration:</p> <ul style="list-style-type: none"> Create a daily log to include the control numbers, dates, and the number of return payments received. This worksheet will help to prevent duplicate control numbers and to document clear and concise reason for any voided control number. Daily returned payments logs must be scanned for further inquiries. <p>Recommendations for the CM:</p> <ul style="list-style-type: none"> CM must ensure each returned payment logged by Administration is posted on their corresponding daily logs and properly tracked. Obtaining a copy of the Administration daily log and verifying items posted will help prevent that a returned check is not logged. 			
Action Plan			
Person Responsible	Administration and Cash Management	Estimated Completion Date	12/11/20
Administration will create a daily log to include the control numbers as recommended and will scan the hard copies of the daily logs for further inquiries. Cash Management will use the daily logs provided by Administration to include the tracking information of the returned checks. If repeat returned checks are noted, Cash Management will notify the manager of the appropriate division to ensure action is taken to correct the underlying issue.			