



COUNTY OF EL PASO  
OFFICE OF THE COUNTY AUDITOR

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08-29

August 24, 2021

Mr. Joe Lopez  
Purchasing Agent-Interim  
Purchasing Department  
800 E. Overland Suite 300  
El Paso, Texas 79901

Dear Mr. Lopez:

The County Auditor's Internal Audit division performed an audit of the Purchasing Department to determine if internal controls are adequate to ensure proper operations of the Purchasing Department. Policies, procedures, and regulations were also reviewed to ensure process are documented, operating and efficient.

The audit report is attached. We tested two financial controls and five operational controls with a total of 153 samples. There were three findings noted as a result of the audit procedures. We wish to thank the management and staff of the Purchasing Department 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:PT:RB:ya

cc: Ms. Betsy Keller, County Chief Administrator



**El Paso County  
Purchasing Department Audit  
October 2018 – January 2020  
EXECUTIVE SUMMARY**



**BACKGROUND**

The El Paso County Purchasing Department is responsible for buying all materials, supplies, goods and services used by County departments and offices in accordance to state, local and federal requirements, as well as internal policies and procedures. In addition to the procurement of goods and services, the Purchasing Department also maintains, tracks and disposes of County property and fixed assets, as well as management and operations of the print shop and mail room. This audit is scored as a low risk audit and was last performed in 2013. The audit was performed by Ruth Bernal, internal auditor senior and Phillip Trevizo, internal auditor.

**OBJECTIVES**

The audit evaluated the adequacy of controls and processes used to achieve key business objectives related to operations of the Purchasing Department. Following are the business objectives and related control assessment.

<b>Business Objective</b>	<b>Control Assessment</b>
1. Established and documented policies and procedures	Needs Improvement
2. Functioning appropriate cash controls	Needs Improvement
3. Print shop billing controls	Satisfactory
4. Adherence to Informal Bid policies and procedures	Needs Improvement
5. Adherence to Formal Bid policies and procedures	Satisfactory
6. Surplus inventory controls	Satisfactory
7. Procurement card controls	Satisfactory

**SCOPE**

The scope of the audit is from October 2018 to January 2020. The COVID-19 pandemic shifted priorities for several parties, causing an extension in performing audit work for the scope under review.

**METHODOLOGY**

To achieve the audit objectives we:

- Reviewed policies, procedures and applicable statutes.
- Performed a surprise cash count on January 23, 2020, in accordance with *Local Government Code* §115.0035(b).
- Tested a sample of daily deposits from print shop operations to ensure compliance with *Local Government Code* §113.022.
- Reviewed print shop billing procedures.
- Tested a sample of print shop monthly billing statements to verify jobs were billed and payment was received.
- Tested a sample of informal bids for compliance with applicable statutes and internal policies and procedures.
- Tested a sample of formal bids for compliance with applicable statutes and internal policies and procedures.
- Reviewed surplus property inventory controls.
- Tested a sample of procurement card transactions to ensure procedures were followed and verify the validity expenditures.

**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 related details and management action plans.



**El Paso County  
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EXECUTIVE SUMMARY**



<b>Control Summary</b>	
<b>Good Controls</b>	<b>Weak Controls</b>
<ul style="list-style-type: none"> <li>• Print shop billing controls (Obj. 3)</li> <li>• Formal Bid policies and procedures (Obj. 5)</li> <li>• Surplus inventory controls (Obj. 6)</li> <li>• Procurement card controls (Obj. 7)</li> </ul>	<ul style="list-style-type: none"> <li>• Documented policies and procedures (Obj. 1)</li> <li>• Functioning appropriate cash controls (Obj. 2)</li> <li>• Adherence to Formal Bid policies and procedures (Obj. 4)</li> </ul>
<b>Findings Summary</b>	
<ol style="list-style-type: none"> <li>1. Required informal bids were not documented for 15% of the qualifying purchase order requisitions sampled.</li> <li>2. Two key office functions are not included in the documented policies and procedures.</li> <li>3. Second verification is not documented on the daily cash reconciliations.</li> </ol>	

**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 Purchasing Department met four of seven objectives for this audit. Implementation of recommendations provided in this report should assist the Purchasing Department in improving their internal control structure.



**El Paso County  
Purchasing Department Audit  
October 2018 – January 2020  
Findings and Action Plans**



**Current Audit Findings & Action Plans**

Finding #1		Risk Level <span style="background-color: yellow; border: 1px solid black; border-radius: 50%; padding: 2px;">M</span>	
<p><b>Informal Bids</b> –Seven (or 15%) of 47 of purchase order requisitions sampled did not include the required three minimum quotes in Munis.</p> <p>Policies and procedures require purchases within a range of \$1,000.00 to \$49,999.99 to have a minimum of three written informal bid quotations. These quotes allow a department to select the supplier with the best value for goods and services requested. The required quotes were provided and documented in Munis after the discrepancies were brought to Purchasing’s attention.</p> <p>Adequate supporting documentation will decrease the risk of record manipulation and other fraudulent activities.</p>			
<b>Recommendation</b>			
<p>Supporting documentation for all requisitions must be thoroughly documented in Munis to ensure due diligence was exercised during vendor selection. Digital storage in Munis is particularly important since most communications are handled electronically.</p>			
<b>Action Plan</b>			
<b>Person Responsible</b>	<b>Purchasing Manager</b>	<b>Estimated Completion Date</b>	<b>03/11/21</b>
<p>Purchasing Manager retrained buyers on 03/11/21 to include supporting documentation in Munis that demonstrates due diligence was exercised during vendor selection, including detailed notes justifying decisions made regarding best value for goods and services.</p>			



**El Paso County  
Purchasing Department Audit  
October 2018 – January 2020  
Findings and Action Plans**



Finding #2	Risk Level <span style="background-color: yellow; border: 1px solid black; border-radius: 50%; padding: 2px;">M</span>		
<p><b><u>Policies and Procedures</u></b> - Two key office functions are not included in the documented policies and procedures. The department provided excellent policies and procedures for review; however, the following key office functions are not documented:</p> <ul style="list-style-type: none"> <li>Print shop operations</li> <li>Surplus inventory section</li> </ul> <p>Upon further inquiry it was stated the Purchasing department recently had an internal reorganization and the above mentioned sections had been placed under one supervisor. One of the duties for the new supervisor will be to document policies and procedures for both sections mentioned. Documented policies and procedures lessen the risk of inconsistent processing, strengthens internal control structure and provides guidance to current and future staff.</p>			
Recommendation			
<p>The purchasing department should update the current policies and procedures to include the above key operating functions and any other key functions deemed necessary.</p>			
Action Plan			
Person Responsible	Supply Utility Lead	Estimated Completion Date	2/28/2022
<p>The new supervisor will document policies and procedures for the print shop and surplus inventory functions.</p>			

Finding #3	Risk Level <span style="background-color: yellow; border: 1px solid black; border-radius: 50%; padding: 2px;">M</span>		
<p><b><u>Daily cash count reconciliations</u></b> - Daily cashier reconciliations are not signed as verified by a second person. Involving two people in a critical cash handling task is a special application of separation of duties called dual control. Lack of dual control increases the risk of losses due to theft, manipulation of records or accounting errors. If a loss does occur, dual control protects cash handlers from unwarranted suspicion.</p>			
Recommendation			
<p>Daily cashier reconciliations must be verified and documented as verified under a dual control process. Proper documentation of the verification helps avoid any dispute between parties involved. Further, this should be documented in the office policies and procedures to ensure consistent processing and as a reference for current and future departmental staff.</p>			
Action Plan			
Person Responsible	Supply Utility Lead	Estimated Completion Date	2/28/22
<p>Verification of daily cashier reconciliations is being documented before funds are submitted for deposit as of August 3, 2021. This procedure will be included on the policies and procedures of the print shop.</p>			