



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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02-22

February 24, 2022

The Honorable Linda Chew
Local Administrative District Judge
327th Judicial District
Room 606, County Courthouse Building
500 East San Antonio Street
El Paso, Texas 79901

Dear Judge Chew:

The County Auditor's Internal Audit division performed an audit of the County Auditor's Cash Management-Audit division financial records and processes for July 2018 through April 2021 to determine if internal controls were adequate to ensure payments are appropriately deposited 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 eight financial controls and five operational controls using 365 samples. The audit report includes three findings as a result of the audit procedures. We wish to thank the management and staff of the Cash Management-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 County Auditor's 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



**Cash Management Audit division
El Paso County Auditor's Office
July 2018 – August 2021**



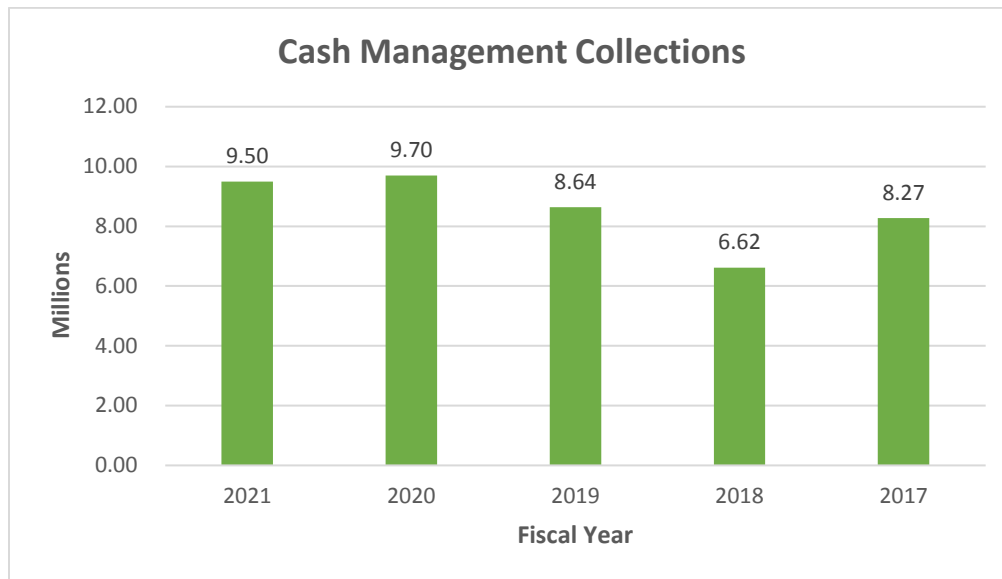
EXECUTIVE SUMMARY

BACKGROUND

Local Government Code (LGC) § 83.007 provides that in a county for which the office of county treasurer has been abolished, a reference to the county treasurer in the code or other state statute means the person who performs the powers of duties of the county treasurer in that county.

Per an amendment of Article 16, section 44 of The Texas Constitution, effective January 1, 1986, the office of El Paso County Treasurer was abolished and the El Paso County Auditor's office was directed to perform all statutorily mandated treasury functions. The County Auditor's office then created the Cash Management Audit division to perform all treasurer duties and to serve as the County's depository.

The Cash Management Audit (CMA) division of the El Paso County Auditor's office receives records and processes deposits for all revenue received by the County into its depository account. Further, in conjunction with the GL and Disbursement Reporting division and in some instances per Commissioners Court order, the CMA disburses funds and monies owed to vendors and other constituents. The CMA also serves as the chief liaison between the County and its depository bank and reviews and reconciles most bank accounts with said depository. The division consists of one manager, one senior accountant, one intermediate accountant (currently vacant), two accounting generalist (one currently vacant), and three accounting clerks. The audit was performed by Ruth Bernal, internal auditor senior. The prior audit was issued November 1, 2018.



Source: Tyler Cashiering System

OBJECTIVES AND RESULTS

The audit evaluated the adequacy of controls and processes used to achieve key business objectives related to Cash Management Audit division financial reports. Following are the business objectives and related control assessment based on the audit work performed.



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Business Objectives	Control Assessment
1. Cash Management Audit division is compliant with education requirements according with <i>LGC § 83.003</i> .	Satisfactory
2. Appropriate and functioning cash controls.	Need Improvement
3. Timely deposits of daily collections in accordance with <i>LGC § 113.022</i> .	Satisfactory
4. Monthly collections reports submitted to Commissioners Court in accordance with <i>LGC § 114.026</i> .	Satisfactory
5. Adequate internal controls of electronic funds transfers (EFT).	Satisfactory
6. Complete and accurate monthly bank reconciliations.	Satisfactory
7. Updated Bank Signature Cards.	Need Improvement
8. Proper internal controls to safeguard vaults and combination safes.	Need Improvement
9. Maintain proper supporting documentation of transactions.	Satisfactory

SCOPE

The scope of this audit is July 2018 through August 2021.

METHODOLOGY

To achieve the audit objectives we:

- Reviewed County treasurer training certificates for compliance with *LGC § 83.003*
- Performed a surprise cash count on August 24, 2021, as per *LGC § 115.0035*, no discrepancies were noted
- Tested a sample of daily cash count sheets and deposit slips to determine deposit completeness, accuracy, and retention of appropriate deposit information
- Tested a sample of void transactions for proper authorization and documentation
- Tested a sample of credit card transactions to verify they were handled properly
- Reviewed handling of manual receipt book procedures for appropriate internal controls
- Tested a sample of internal transactions between funds for authorization and documentation
- Tested a sample of daily deposits and verified they were deposited in compliance with *LGC § 113.022*
- Tested a sample of monthly reports to ensure compliance with *LGC 114.026*
- Tested a sample of EFT wires for proper authorization and documentation
- Tested a sample of bank reconciliations for completeness and accuracy
- Reviewed County bank account signature cards to ensure authoritative signatures are current and up to date
- Reviewed procedures for the vault and safes for appropriate internal controls.

RESULTS

Listed below are controls and findings summaries, with observations 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 action plans and details and management action plan(s) for current findings.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Education requirements. (Obj. 1) • Timely deposits (Obj. 3) • Monthly reporting to Commissioner court (Obj. 4) • Adequate internal controls of Electronic Funds Transfers (EFT) (Obj. 5) • Complete and accurate bank reconciliations. (Obj. 6) • Maintain supporting documentation (Obj. 9) 	<ul style="list-style-type: none"> • Cash controls (Obj. 2) • Updated Signature Bank Cards (Obj. 7) • Proper internal controls to safeguard vaults and combination safes. (Obj. 8)



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EXECUTIVE SUMMARY

Finding Summary

1. Weak vault and combination safe internal controls.
2. Two former division employees still listed as authorized signers on one of the County bank accounts.
3. New receipt books not properly inventoried nor assigned.

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 internal control structure of the CMA division was satisfactory for six of the nine 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 Closed

Finding 1: Daily balancing – A sample of 84 collection dates were reviewed and no cash discrepancies were noted. However, a cash count sheet is prepared for each deposit slip but not for each cashier. In case of a discrepancy, it would be difficult to determine which cashier was responsible for the difference. Best practice is for each cashier to balance separately before combining funds for the deposit.

Recommendations: On a daily basis, each clerk should reconcile their till individually to the Tyler cashiering system and prepare a cash count sheet. Cash count sheets should be signed by each cashier and presented to a supervisor for review and approval. Any overages or shortages should be noted and logged. The log should be reviewed to identify any cash handling issues.

Action Plan: The cash count sheet was amended on August 22, 2018. The cash count sheet now includes space to detail the cash count per cashier, their respective signatures and the supervisor who reviewed it. Also, the CMA manager agrees to start a log to ensure documentation of overages or shortages, if any. Policies and procedures for the division are being updated will incorporate these procedures.

M Closed

Finding 2: Deposit Warrants - Monthly deposit warrant logs are not reconciled to the monthly deposits. Monthly deposits were compared to the monthly deposit warrant logs. There were five instances where deposit warrants were not issued for TexPool fund transfers to the consolidated account.

Recommendations: To ensure all collections are documented with a warrant, the monthly deposit warrant log should be cross referenced with all deposit batches and wires. Documented procedures should be updated to reflect current practices.

Action Plan: Controls have been implemented to ensure Munis deposit batches and journals are cross referenced with deposit warrants to ensure all collections are documented with a warrant. Procedures were updated in October 2018 to include noting the deposit warrant number on the journal entry prior to posting in Munis to avoid future discrepancies. Documented policies and procedures will be updated.

M Closed

Finding 3: Voided Transactions: A sample of eight of 96 voided transactions were reviewed. The following was observed:

- There is no detail explanation for the voided transitions, nor supporting documentation. When CMA personnel were questioned about some voided transactions, they couldn't remember exactly the reason for the void and they couldn't provide any supporting documentation.
- On Tyler cashiering system the field labeled "Comment" is not utilized consistently to give more details about the reason for the void.

Lack of documentation increases the chances of manipulation of records or misappropriation of funds. Proper documentation provides evidence of what has occurred as well as provides information for researching discrepancies if it is needed.

Recommendations: Voided transactions should be better documented and include more detail explanation on the comment field. Also, policies and procedures should be updated and include specific details for voided transactions such as:

- Transactions that can be voided.
- Supporting documentation that should be included.
- Authorized personnel.

Action Plan: Voided transactions will be monitored to ensure voids are documented. Clerks have been instructed to always include an explanation on the comment field for the reason the transaction had to be voided. Please note system controls require senior accountant or manager



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Status

approval on all voids. Policies and procedures have been updated to include voided transactions procedures.

M Closed

Finding 4: Bank Reconciliations: Some bank reconciliations had reconciling items pending over six months and procedures need to be updated. February and March 2018 bank reconciliations, 38 of 228 total monthly reconciliations, were reviewed for the bank accounts handled by CMA. The following was noted:

- There are no policies and procedures documented for voided transactions.
- Seven of the bank accounts had outstanding checks more than six months old. Policies and procedures include writing off outstanding checks that are older than six months old for departments who handle separate bank accounts, but it doesn't address the procedures for outstanding checks on the bank accounts handled by the CMA.
- Regarding the consolidated bank account reconciliations, there were seven credit card charge back transactions pending to be corrected older than six months. CMA doesn't have documented policies and procedures on how to handle credit card charge backs.
- Five of the account reconciliations had outstanding reconciling items for transactions pending to be posted on Munis since October 2017.

Old reconciling items was a finding on the prior audit. Bank reconciliations identify receipts and payments to ensure they are all correctly recorded in both the bank and the financial general ledger in Munis. A regular review of the bank accounts helps to identify potential problems and resolve differences in a timely matter. Best practices for outstanding items recommend that they be cleared within 90 days and requires support documenting why they have yet to be cleared.

Recommendations:

1. Due care should be exercised and reconciling items and should be followed up on to ensure items are resolved timely with the bank and/or credit card company. Divisions responsible for the corrections should be contacted and issues escalated if not resolved timely.
2. Policies and procedures should be updated and include the process for credit cards charge backs and follow up for outstanding checks older than six months.

Action Plan: The change in posting methodology of payroll entries due to implementation of the Munis payroll module in October of 2017 created many outstanding items in several accounts. This process has been thoroughly examined involving multiple divisions and executive staff and only one old item for \$29.25 remains to be researched. Controls will be put in place to communicate with the respective parties for timely clearance of items. Policies and procedures will be updated to include such controls.



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FINDINGS AND ACTION PLANS

Current Audit Findings & Action Plans

Finding #1	Risk Level H
<p>Vault and combination/key safes – There are three combination safes inside the vault. While reviewing the vault and combination/key safe procedures, the following were noted:</p> <ul style="list-style-type: none"> An internal list documenting which employees have which form of vault and combination safe access has not been created. The combination and contents for one of the combination safes is unknown. Further, an inventory of contents for all other combination safes and the main vault is not documented. <p>Vaults and safes are intended to secure and protect valuables from theft, fire, and unforeseen natural disasters. In order to properly secure them, vaults and safes must have properly documented access controls in place. The lack of well documented controls may increase the risk of fraud, theft and misuse of County funds.</p>	
Recommendations	
<p>To document and strengthen internal controls; we recommend implementing the following procedures and practices:</p> <ul style="list-style-type: none"> Create a list of employees detailing which individuals have access to the main vault and interior combination safes, what form of access the employee has (key or combination) and a dated employee signature acknowledging receipt and ownership of said combination or key. Further, the list should also document when employee access is revoked and when combination and key access is changed due to such revocation. Create an inventory listing detailing the contents of the main vault and each of the interior combination safes. Policies and procedures must be updated to include these procedures. 	
Action Plan	
Person Responsible	CMA manager
Estimated Completion Date	July 31, 2022
<p>Management agrees with the recommendations. The safe with the unknown combination and contents was intended for disaster recovery and the combination will be reset. A spreadsheet will be prepared listing which individuals have what type of access to the office main vault and interior combination safes. Further, an inventory will be performed and a detailed listing of all contents within the main vault and each of the interior combination safes will be documented. Lastly, policies and procedures will be documented.</p>	

Finding #2	Risk Level M
<p>Bank authorization signature cards -Two former Cash Management division employees were listed as authorized signers on one of the County bank accounts. County bank account signature cards were requested from the bank to obtain third-party confirmation and verify that employees authorized to sign bank accounts are up to date. The request resulted in the receipt of 11 bank account signature cards with County auditor signing authorization. Best practice is to remove authorized employees from bank signature cards when authorization has been revoked or is no longer valid. If bank signature cards are not updated, it increases the risk of misappropriation of funds by unauthorized personnel.</p>	
Recommendations	
<p>Bank signature cards should immediately be amended once an employee's signature authorization has been revoked or is no longer valid. Further, it is best practice to review signature cards (at a minimum once a year) to</p>	



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ensure cards are up to date with the latest information. These practices should be documented in the division's policies and procedures for future reference.

Action Plan

Person Responsible	CMA manager	Estimated Completion Date	February 22, 2022
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A request to update bank signature cards was sent to the County's financial institution by the CMA manager on January 24, 2022. As of the date of this report, the matter has been resolved. Further, policies and procedures will be updated noting the best practice of updating bank signature cards within 45 to 60 days, allowing for transition time between the exit of the former employee, advertising the position, reviewing job applications, and conducting the interviews. Also, the selected candidate may need to give two weeks' notice to his/her current employer. We believe the risk of funds misappropriation is minimal as check stock is safeguarded, checks require two signatures and the County uses positive pay to prevent payment of fraudulent checks.

Finding # 3

Risk Level M

Manual receipt books - On August 24, 2021, a review of the CMA manual receipt book inventory logs was performed. The following was noted:

- There were 19 golf course receipt books and 16 golf course gift certificate books not listed on the logs.
- There were three justice of the peace receipt books, and three deposit warrant books assigned without a signature from the person receiving the receipt book.
- Lack of written and documented policies and procedures referencing the recording and maintaining of a manual receipt book inventory system.

The lack of documented receipt book assignments, up-to-date inventory listings and properly documented policies and procedures may lead to an increased risk of fraud, theft and misuse of County funds.

Recommendations

We recommend all receipt books upon receipt by CMA staff be properly inventoried on the corresponding log sheet and when released be properly signed for by the receiving employee. Further, such procedures must be included in the division policies and procedures.

Action Plan

Person Responsible	CMA manager	Estimated Completion Date	May 31, 2022
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CMA staff was reminded of the procedure for assigning receipt books and receipt book logs were updated as of November 30, 2021. Further, policies and procedures will be documented.