



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

02-28

February 27, 2023

Judge Annabell Perez
41st District Court Judge
500 E. San Antonio
Suite 1006
El Paso, Texas 79901

Dear Judge Perez:

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 333 samples. There was one repeat finding noted as a result of the audit procedures. 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,

 for Edward A. Dion
Edward A. Dion
County Auditor

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



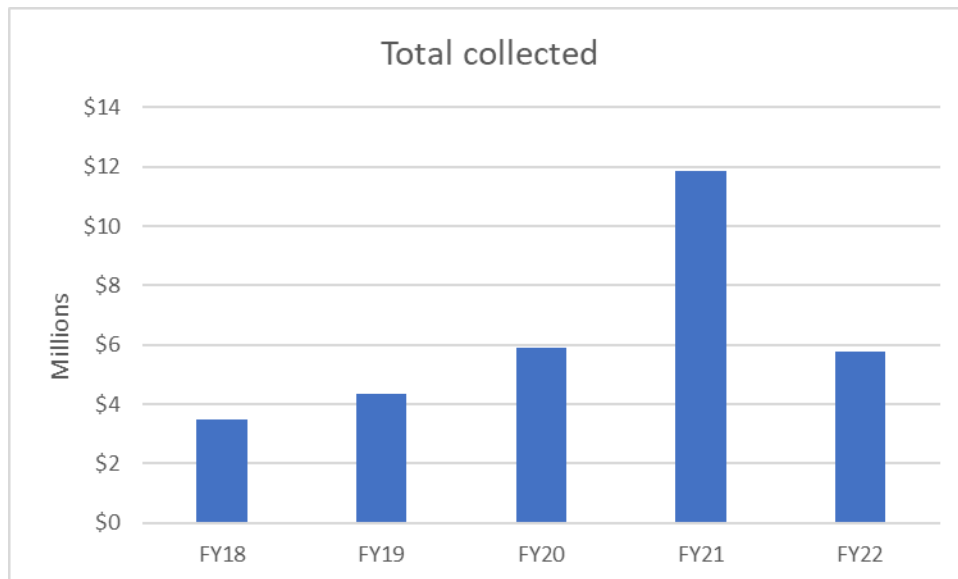
**County Auditor's Office
Payments by Mail Audit
May 2020 to September 2022
EXECUTIVE SUMMARY**



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 forwarded 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 December 15, 2020.

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.	Satisfactory
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.	Satisfactory
5. Proper documenting and timely follow up of returned payments by mail.	Need Improvement

SCOPE

May 2020 through September 2022.



**County Auditor's Office
Payments by Mail Audit
May 2020 to September 2022
EXECUTIVE SUMMARY**



METHODOLOGY

To achieve the audit objectives, we:

- 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.
- Conducted interview with Administration and CM staff to determine current process and controls.
- Cross referenced a sample of Administration daily logs to CM daily logs to ensure each check logged was deposited in 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, accuracy, and follow-up.

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 finding.

Control Summary	
Good Controls	Weak Controls
<ol style="list-style-type: none"> 1. Maintain and follow policies and procedures (Obj. 1) 2. Effective and efficient documenting of mail payments. (Obj. 2) 3. Timely deposit of payments (Obj. 3) 4. Adequate supporting documentation for payments and returned payments received. (Obj. 4) 	<ol style="list-style-type: none"> 1. Log and follow-up of returned payments by mail (Obj. 5)
Finding Summary	
<ol style="list-style-type: none"> 1. 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 met all but one of five objectives of this audit. Implementation of the recommendations provided in this report should assist in strengthening the internal control structure.



**County Auditor's Office
Payments by Mail Audit
May 2020 to September 2022
FINDINGS AND ACTION PLANS**



Prior Audit Findings Summarized with Current Status

Status

H Closed

1. **Finding:** Mail logs and all payments received are scanned and then original documents submitted to CM for proper accounting. The following items were noted:

Administration logs:

- Three logs were not scanned, but payments were.
- Four logs 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 logs were missing and there was no supporting documentation.
- Seven logs contained errors or were incomplete with missing information.
- Two logs had payments manually entered after the log was printed.

CM logs:

- 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.
- Payments received by other division through mailed correspondence are accepted by the CM division without initially being logged and scanned by Administration.

Recommendations:

- 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 permitted.

Action Plan: 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. CM 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.

H Closed

2. **Finding:** 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:

Administration:

- Of the 40 daily logs sampled, ten (25%) could not be found. However, of the ten missing logs, CM had record of receiving five.

CM:

- Eleven returned payments logged on Administration logs were not included on CM logs.

Recommendations: Administration should 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. In addition, daily returned payments logs must be scanned for further inquiries. 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.



**County Auditor's Office
Payments by Mail Audit
May 2020 to September 2022
FINDINGS AND ACTION PLANS**



Status

Action Plan: 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. CM will use the daily logs provided by Administration to include the tracking information of the returned checks. If repeat returned checks are noted, CM will notify the manager of the appropriate division to ensure actions is taken to correct the underlying issue.

Current Audit Findings

Finding #1		Risk Level
		M
<p><u>Returned payment logs and documentation-</u> A sample of 30 daily returned payment logs, consisting of 88 returned checks, 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 by Administration and tracked by CM. The following findings were noted:</p> <p>CM:</p> <ul style="list-style-type: none"> • 20 returned checks for two daily logs from System Support administration were not listed on CM logs. • 22 returned checks logged did not have tracking information for the returned check. <p>Functioning controls and processes will ensure returned payments are reissued to the proper vendors or customers in a timely manner. Further, proper recording, documenting, and tracking of returned payments will reduce the risk of possible fraud or theft.</p>		
Recommendations		
<p>Recommendations for CM:</p> <ul style="list-style-type: none"> • Ensure each returned payment logged by Administration is logged on the corresponding CM logs. • Document the destination of the returned check, i.e., if the check was mailed to a new address provided by postal service or new address information was requested from the department that initiated the payment. • Follow up if information is not provided. If after 90 days, no new information has been received, notify the department the check will be voided and document it on the log. 		
Action Plan		
Person Responsible	Cash Management Audit Manager	Estimated Completion Date
		November 1, 2022
<p>Recommendations were addressed with Cash Management personnel during the audit and have already been implemented.</p>		