



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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01-05

January 6, 2023

The Honorable Annabell Perez
Local Administrative District Judge
41st Judicial District Court
500 East San Antonio Avenue
Suite 1006, County Courthouse Building
El Paso, Texas 79901

Dear Judge Perez:

The County Auditor's Internal Audit division performed an audit of County utility payment records and procedures of the General Ledger (GL) and Disbursement Reporting division of the County Auditor's Office to determine if internal controls are adequate to ensure proper preparation of utility payments reports 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 one financial control and three operational controls using 1,026 samples. There were four findings noted as a result of the audit procedures, all four are repeat findings from the prior audit. We wish to thank the management and staff of the GL and Disbursement Reporting 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 to the County Auditor's GL and Disbursement Reporting Audit division, 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

Cc: Victor Perez, Financial Operations Director



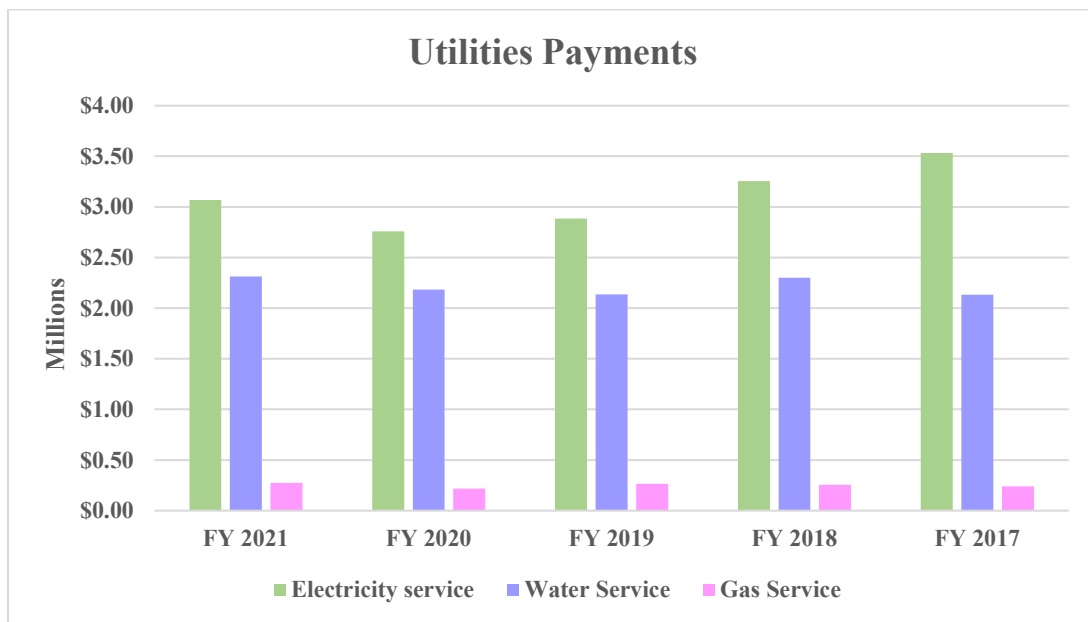
**Utility Bill Payment and Procedures Audit
El Paso County Auditor's Office
September 2019 – June 2022
EXECUTIVE SUMMARY**



BACKGROUND

General Ledger and Disbursement Reporting Audit division (GLDRA) of the County Auditor's Office is responsible for paying County departmental and applicable satellite location utility billings which include electricity, gas, water, telephones, and cell phones. Annually, the elected official or department head will receive utility procedures together with a list of electricity, gas, and water accounts to be charged to their respective budgets. These procedures and account listings are to be acknowledged as received and understood by each department. GLDRA will monitor such utility accounts for unusual variances and will request explanations from departments as warranted. Payments in Enterprise ERP will include copies of supporting documentation. Departments are responsible for reviewing utility bill payments in Enterprise ERP regularly, in most cases monthly, and notifying GLDRA immediately if any discrepancy is noted. Telephone (local and long-distance land line) account bills are sent to the Information Technology Department (ITD) – Communication division for review and authorization of payments. Cell phones bills are authorized by the respective department and sent to GLDRA for payment. The last Utility Bill audit report was issued on April 22, 2020. This audit was performed by Ruth Bernal, internal auditor senior.

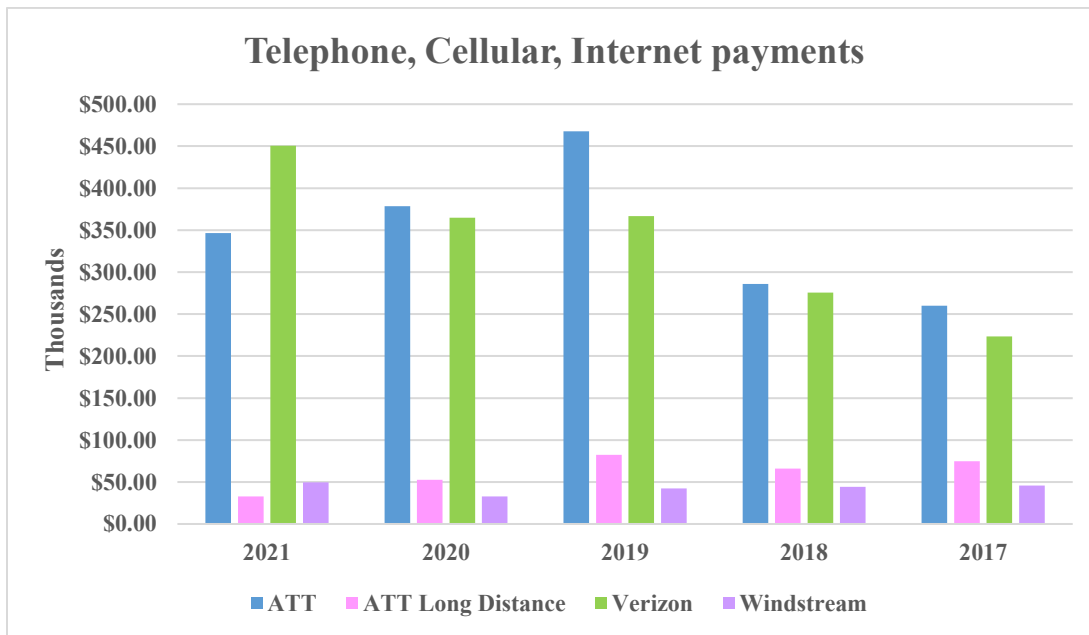
The following charts shows the utility bill payments and telephone, cellular, and internet payments for the past five years.



Source: Enterprise ERP and Utility Cost Reports



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Source: Enterprise ERP

OBJECTIVES AND RESULTS

The audit evaluated the adequacy of controls and processes used to achieve key business objectives related to the payments of County utility bills. Following are the business objectives and related control assessment based on the audit work performed.

Business Objective	Control Assessment
1. Updated documented policies and procedures	Unsatisfactory
2. Timely payment and proper management of utility accounts	Unsatisfactory
3. Proper supporting documentation of payment transactions	Satisfactory
4. Analysis of utility account consumption variance justification	Satisfactory
5. Verification of utility account existence	Satisfactory

SCOPE

The scope of this audit is September 2019 through June 2022.

METHODOLOGY

To achieve the audit objectives, we:

- Reviewed utility account policies and procedures for previously recommended updates
- Tested a sample of utility accounts to verify timely monthly payments, posting of payments to Enterprise ERP and proper supporting documentation.
- Reviewed and analyzed a sample of utility accounts for consumption variances
- Physically inspected a random sample of utility meters to verify existence.

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 prior audit findings as well as details and management action plan(s) for current findings.



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Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Proper supporting documentation of payment transactions (Obj. 3) • Analysis of utility account consumption variance justification (Obj. 4) • Verification of account legitimacy (Obj. 5) 	<ul style="list-style-type: none"> • Timely payment and proper account management controls (Obj. 2) • Updated policies and procedures (Obj. 1)
Finding Summary	
<ol style="list-style-type: none"> 1. Untimely payments and improper account management controls (repeat finding) 2. Fax, alarm system, or internet phone lines not identified (repeat finding) 3. Inappropriate budget usage (repeat finding) 4. Policies and procedures not updated to reflect previous action plans (repeat finding) 	

INHERENT LIMITATIONS

This financial review was designed to provide reasonable assurance that the internal control structure is adequate to safeguard County 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 utility payment process was satisfactory for three of the 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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Prior Audit Findings Summarized with Current Status

Status

H Open

(See current finding #1)

1. **Finding:** Billing was reviewed to determine status of accounts with questionable payment history (five cell phone accounts, three long distance accounts, and three telephone accounts). It was noted that 10 of 11 (91%) accounts had previous balance; three accounts were assessed late payment fees; a cell phone account master list has not been created; a telephone account master list has not been created.

Recommendation: We recommended GLDRA maintain master lists for cell phone and telephone accounts. The master list must include the telephone number, department, and due date to help accounts from becoming past due. The telephone master list must also include the type of service (fax, alarm system, or internet).

Action Plan: GLDRA is working with information Technology Department to prepare a master list of the telephones. Also, they will prepare a master list of the cellular accounts.

Current Status: Master list was provided, but does not include the telephone number, department, and due date as recommended. See finding 1.

H Open

(See current finding #2)

2. **Finding:** From a total of 26 departments, 7 were selected to confirm their utility accounts via email. Utility accounts include water, gas electric, cellular accounts, and telephone lines. The following was noted: Facilities Management – 4 telephone lines were not recognized by the department. Medical examiners – 2 telephone lines were not recognized by the department. Sheriff's Office – 17 telephone lines were not recognized by the department. Juvenile Probation – 11 telephone lines pending location verification. Tax Office – one line was not recognized, and two lines belong to another department. In addition, 2 telephone lines were requested to be closed in 2017 but remain open.

Recommendation: We recommend questionable telephone lines be researched by the GLDRA in order to determine if the line should remain open and maintained or closed due to lack of activity. Further, the division must maintain a master list of the County telephone and cell phone accounts as recommended for finding #1.

Action Plan: GLDRA will follow up with the departments that did not recognize telephone lines and do the research to determinate if they are County telephone lines. They will also contact facilities to help determine lines that may be utilized for security systems.

Current Status: Not solved yet. See finding 2.

H Closed

3. **Finding:** A sample of 21 water, gas, or electric utility accounts were selected for physical meter verification. It was noted that one water account had a service address of Pecos St; however, the meter was located on an adjacent street, Fonseca Drive. Also, one electrical meter could not be located.

Recommendations: We recommend the GLDRA contract the water company and request the address be changed to reflect the correct location. Also, the division should enlist assistance from the electric company to locate the meter not found.

Action Plan: GLDRA will contact the water company and request the address change. In addition, they will contact the electric company to locate the meter not found.

H Open

(See current finding #3)

4. **Finding:** Six accounts with minimal or no activity, did not have proper documentation for the reason the account should remain open. In addition, issues relating to non-



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Prior Audit Findings and Action Plans

Status

usage on El Paso Electric account 906783000 and inappropriate budget usage for El Paso Water Utility account 61 0283 3000, remain unresolved.

Recommendations: As previously recommended, any explanations should be properly documented in the utility expense tracking worksheet. We also recommend accounts with no activity for more than 90 days be communicated to Facilities division of the Public Works Department to be closed unless there is a documented reason for keeping them open. In addition, GLDRA must follow up on these accounts with appropriate departments during the 90 days to try to resolve any issues.

Action Plan: GLDRA will identify the accounts with no activity and make a note justifying why the account must remain open. Prior audit issues related to the electric and water accounts noted will be resolved.

Current Status: The Electricity account indicated it will remain open for Christmas season in case it is needed. On the water account, follow up is pending. See finding 3.

M Closed 5. **Finding:** Not all electricity, water, and gas accounts were paid timely. From a sample of 47 utility billings, twenty-two (47%) transactions were paid late; Sixteen (34%) transactions had prior balances; and two (4%) billings were noted with a "Past due action notice" statement.

Recommendations: We recommend due dates for each account be documented on the master list. The new policies and procedures to pay bills without prior department approval from the action plan in the prior audit were not implemented until November 2019. The implementation of the new procedures will help to timely pay the water, electricity, and gas bills.

Action Plan: GLDRA will include the due date of each of the accounts on the master list to help monitor the timeliness of payments. The implementation of the new procedures is expected to help to improve the timeliness utility payments.

Current Status: Timeliness for electricity, water and gas payments have improved.

M Open 6. **Finding:** Policies and procedures involving the communication between departments when opening and closing of utility accounts are not well documented. This is a prior audit finding. While reviewing the Sheriff Department's gas payment transactions, 23 months of gas service were paid on February 1, 2019. The account was not addressed until the Sheriff's department received a notification of service disconnect due to non-payment. It is crucial that all utility account opened or closed be communicated to GL and Disbursement to ensure proper documentation and timely payment.

(See current finding #4)

Recommendations: As previously recommended, a policy and procedure to effectively communicate the opening and closing of all utility accounts to GL and Disbursement division be established and documented. This should be included in the El Paso County Building Standards and Space Allocation Policy which requires all requests for the allocation, assignment, designation, renovation, modification, alteration, or expansion of existing space, and any changes thereof, to be processed through the Facilities Management division of the Public Works department with subsequent notification to the County Auditor's GL and Disbursement division.

Action Plan: GLDRA will contact Public Work Department to establish ways of communication when a utility account needs to be opened or closed to facilitate payment issues and will suggest an update to the El Paso County Building Standards and Space Allocation Policy.

Current Status: A follow up is pending. See finding 4.



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Current Audit Findings and Action Plans

Finding # 1		Risk Level H	
<p><u>Fax, Alarm System and Internet Phone Lines Not Identified</u> – County telephone lines used for fax, alarm system or internet have yet to be identified as previously recommended. Unidentified lines could lead the County to pay for lines no longer in use or lines that do not truly belong to the County. Further, unidentified lines could lead to an increase in fraud or misappropriation of resources.</p>			
Recommendations			
<p>As previously recommended, due dates for each account should be documented on the master list to assist in monitoring the timeliness of payments. Further, account contact information should be verified to ensure proper and timely delivery to and payment by the County Auditor's Department.</p>			
Action Plan			
Person Responsible	GLDRA Audit Manager Senior	Estimated Completion Date	March 31, 2023
<p>AT&T telephone company has been contacted numerous times to change the billing address to the Auditor's Office; however, changes have not been made. Auditors will proceed with identifying higher up contacts to adequately respond the pending issues. GLDRA will update the master list to include the due dates and remind departments to send the bill on time for payment. Also, accounts will be monitored to ensure they are paid on a monthly basis.</p>			

Finding # 2		Risk Level H	
<p><u>Master Landline, Cellular and Internet Telephone List Account Review</u> – Not all County landline, cellular and internet-based telephone accounts were properly managed. The most recent payment for all 90 telephone accounts (comprised of 41 landlines, 42 cellular and 7 internet-based accounts) was selected and tested to ensure timely payment and proper management. The following was noted:</p> <ul style="list-style-type: none"> • Thirty-five accounts (39%) were paid late. • Sixty-nine accounts (77%) the bill had previous balance. Nineteen bills had previous balances more than five times the average monthly payment. • Six accounts (6%) have late fee included. • Three accounts (3%) no payments have been made between April – June 2022. • Five accounts (6%) no payments had been made during FY 2022. Two of those accounts had accumulated monthly bills paid in FY 2021. • Sixty accounts (67%), have bills received at the respective department. The Auditor's Office sometimes does not receive the bills on time to process the payments. <p>Improperly managed accounts can lead to payment of unnecessary late fees and may increase the risk of fraud or account misuse (repeat finding).</p>			
Recommendations			
<p>An analysis of all County telephone lines used for fax, alarm system, or internet should be performed to determine proper identification and validity of use.</p>			



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Current Audit Findings and Action Plans

Action Plan			
Person Responsible	GLDRA Audit Manager Senior	Estimated Completion Date	March 31, 2023
GLDRA will follow up with Facilities to identify telephone lines that may be utilized for internet or security system and depending upon department cooperation, this matter may need to be referred to County Administration			

Finding # 3	Risk Level M		
<p>Inappropriate Budget Usage – Proper budget allocation for El Paso Water Utility account number 4518120000 (previously 61 0283 3000) has yet to be determined. Account expenses are currently being paid out of Ascarate Park budget even though the meter is located in Canutillo, Texas and not within Ascarate park.</p> <p>Improper use of budgeted funds could lead to possible fraud and misallocation of funds (repeat finding).</p>			
Recommendations			
Further research by GLDRA should be performed to determine proper usage of budgeted funds for the meter in question.			
Action Plan			
Person Responsible	GLDRA Audit Manager Senior	Estimated Completion Date	January 31, 2023
GLDRA will follow up with Public Works to determine the purpose of the meter if it is still necessary and whether the budget account being used is correct. If the Public Works department continues to be nonresponsive this matter will be referred to County Administration.			

Finding # 4	Risk Level M
<p>Updated Policies and Procedures – While reviewing current utility account GLDRA divisional and County Facilities Building Standards and Space Allocation policies and procedures the following was noted:</p> <ul style="list-style-type: none"> Updated GLDRA utility payment policies and procedures were requested without success. Utility payments policies and procedures were last updated in January 2018. GLDRA sent a letter on April 22, 2020, to the County Public Works department recommending policies and procedures be established to effectively communicate the opening and closing of all County utility accounts between GLDRA and Public Works. A follow-up by GLDRA has not been performed and is still pending. <p>Detailed documented policies and procedures provide guidance to County employees on safeguarding public assets and help strengthen and enforce internal controls (repeat finding).</p>	



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Current Audit Findings and Action Plans

Recommendations			
A follow-up inquiry by GLDRA regarding the status of utility account creation and closure communication policies and procedures should be performed. It is best practice to review and update policies and procedures periodically to ensure they document current procedures.			
Action Plan			
Person Responsible	GLDRA Audit Manager Senior	Estimated Completion Date	March 31, 2023
GLDRA will update the utility payment policies and procedures to document current procedures. GLDRA will also follow-up with Public Works about the recommendations on the April 22, 2020, letter.			