



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

BARBARA PARKER, CPA, CIA
COUNTY AUDITOR
B.Parker@epcountytx.gov
www.epcounty.com/auditor

Downtown County Annex
320 S. Campbell, Suite 140
El Paso, Texas 79901
(915) 273-3262
(915) 273-3266 FAX

11-24

November 8, 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 the County Auditor's Cash Management-Audit division financial records and processes for September 2021 through April 2023 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 361 samples. The audit report includes one finding 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 black ink, appearing to read "Barbara A. Parker".

for
Barbara A. Parker
County Auditor

BP:RB:ya



**Cash Management Audit division
El Paso County Auditor's Office
September 2021 – April 2023**



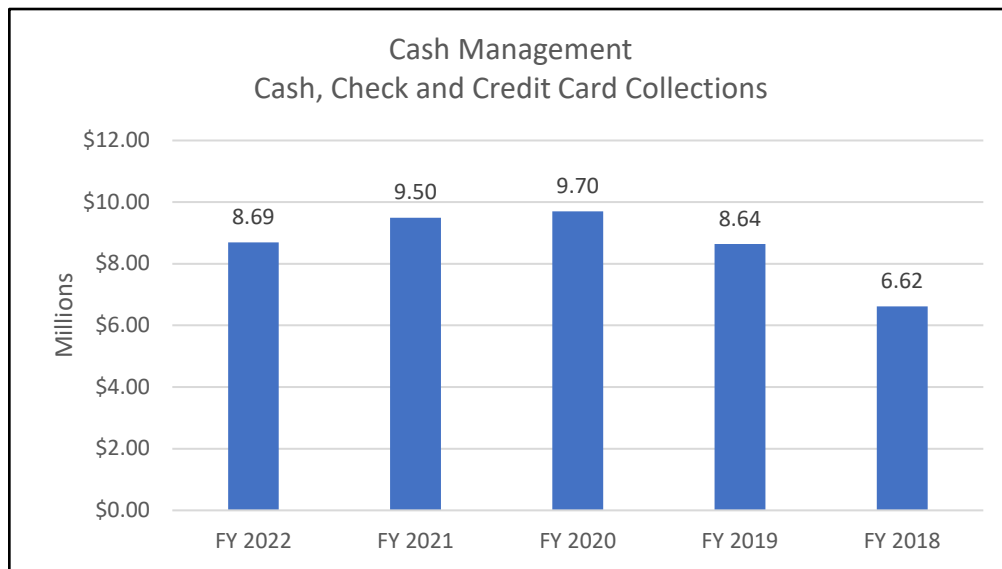
EXECUTIVE SUMMARY

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 the 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 (CMA) division to perform all treasurer duties.

The 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 division, and in some instances per Commissioners Court order, the CMA disburses funds and monies owed to vendors and other constituents. The CMA division 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, two accounting generalists, and three accounting clerks. The audit was performed by Ruth Bernal, internal auditor senior. The prior audit was issued February 24, 2022, and had two findings, both resolved.



Source: Tyler Cashiering System.

OBJECTIVES AND RESULTS

The audit evaluated the adequacy of controls and processes used to achieve key business objectives related to the Cash Management-Audit division's 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. Compliance with education requirements in accordance with <i>LGC § 83.003</i> .	Satisfactory
2. Appropriate and functioning cash controls.	Needs 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. Complete and accurate monthly bank reconciliations.	Satisfactory
6. Maintain proper supporting documentation of transactions.	Satisfactory

SCOPE

The scope of this audit is September 2021 through April 2023.

METHODOLOGY

To achieve the audit objectives, we:

- Reviewed County treasurer training certificates for compliance with *LGC § 83.003*.
- Performed a surprise cash count on May 18 and August 1, 2023, as per *LGC § 115.0035*.
- 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 credit card information was handled securely.
- 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 procedures for appropriate vault and safe maintenance and 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) • Complete and accurate bank reconciliations. (Obj. 5) • Maintain supporting documentation (Obj. 6) 	<ul style="list-style-type: none"> • Cash controls (Obj. 2)

Finding Summary
1. Lack of documentation for change fund verification.

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



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(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 five of the six 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: Vault and combination/key safes – There are three combination safes inside the vault. While reviewing the vault and combination/key safe procedures, the following items were noted:

- 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.

Recommendations: To document and strengthen internal controls; we recommend implementing the following procedures and practices:

- 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: 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.

M Closed

Finding 2: Bank authorization signature cards – Two former CMA 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.

Recommendations: 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 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: 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 with 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,



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FINDINGS AND ACTION PLANS

Status

checks require two signatures, and the County uses positive pay to prevent payment of fraudulent checks.

M Closed

Finding 3: 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: 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.



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FINDINGS AND ACTION PLANS

Current Audit Findings & Action Plans

Finding #1		Risk Level M									
<p>Divisional Change Fund Verification – Divisional change fund verification was not documented. The CMA division has a Commissioners Court approved change fund to be used for customer assistance. Per CMA management, the change fund is verified but the verification process is not documented. Furthermore, the division’s policies and procedures do not specify how frequently change fund verifications should be performed. Proper documentation provides an audit trail and record of each verification performed and may reduce the risk of fraud or theft.</p>											
<p>Recommendations</p> <p>All divisional change fund verifications must be properly documented and performed under dual control. Documentation should include a cash count sheet with the date, signatures of the two verifiers and a detailed breakdown of the amount verified. Supporting documentation must be kept following the County’s approved archival procedures. Finally, this process should be documented in the divisional policies and procedures.</p>											
<p>Action Plan</p> <table border="1"> <thead> <tr> <th>Person Responsible</th> <th>Cash Management Audit Manager</th> <th>Estimated Completion Date</th> <th>November 3, 2023</th> </tr> </thead> <tbody> <tr> <td colspan="4"> <p>The CMA division has started to document the verification of the divisional change fund as of June 28,2023. Policies and procedures will be updated, indicating that the change fund will be randomly verified once a month.</p> </td> </tr> </tbody> </table>				Person Responsible	Cash Management Audit Manager	Estimated Completion Date	November 3, 2023	<p>The CMA division has started to document the verification of the divisional change fund as of June 28,2023. Policies and procedures will be updated, indicating that the change fund will be randomly verified once a month.</p>			
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