

April 29, 2022

Commissioners Court  
County of El Paso, Texas  
500 E. San Antonio  
El Paso, Texas 79901

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the County of El Paso, Texas (the County) for the year ended September 30, 2021. We did not audit the financial statements of the discretely presented component units, those statements were audited by other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, the Uniform Guidance, and the State of Texas Uniform Grant Management Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 26, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the County implemented GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Changes in Fiduciary Net Position. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

1. Management's estimate of the allowance for doubtful accounts for taxes is based on historical collection rates and management's analysis of the collectability of the accounts.
2. Management's zero (\$0) estimate of the allowance for uncollectible "accounts receivables" is based on management's opinion that an allowance for doubtful accounts is not necessary for fair presentation.
3. Management's estimate of the depreciation is based on estimated useful lives of the related assets.
4. Management's estimate of the amortization of bond premiums and deferred loss/gain on refunding is based on the life of the debt.

5. Management's estimate of open health care claims is based on the third-party administrator's lag report.
6. Management's estimate for claims and judgments, which consists primarily of Workers Compensation open claims, is based on incurred and paid claims current year data provided by third party administrators as well as prior years' claims history.
7. Management's estimate of the contingent liabilities associated with ongoing litigation is based on legal counsel opinions and past experience.
8. Management's estimate of the arbitrage payable is based upon the calculation provided by the arbitrage compliance specialist.
9. Management's estimate for accrued wages is based on each employee's salary for the number of days that have been earned and not yet paid by the County as of September 30, 2021.
10. Management's estimate of the total costs of services yet to be performed for construction projects under non-cancellable contracts is based on the related contracts and any applicable change orders.
11. Management's estimates of the total other post-employment benefits (OPEB) liability and deferred inflows and outflows of resources related to OPEB are based upon the actuarial valuation provided by a third party.
12. Management's estimates of the County's share of the net pension liability and the related deferred inflows and outflows of resources related to the Texas County and District Retirement System (TCDRS) and the Texas Emergency Services Retirement System (TESRS) are based on estimates provided by TCDRS and TESRS.
13. Management's estimate of the accumulated unpaid leave benefits payable is based upon the historical experience rate of vacation and sick leave taken, and the number of days accrued. In addition, the current portion due is based upon a historical average used in a year.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 29, 2022.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit, we became aware of certain matters that we believe are opportunities for strengthening internal controls and operating efficiency. As part of our audit, we also review prior year's comments and provide a status based on our testing as well as inquiry of management. Please see the attached schedule for the status of prior year comments as well as the current year comments.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, and other required supplementary information (RSI) as listed in the table of contents which supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information as listed in the table of contents which accompany the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Commissioners Court and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "C. Ruddock Patten LLC". The signature is written in a cursive, flowing style.

### Prior Year Comments

#### **Procurement**

1. Observation: While performing our tests over the procurement system, we noted that services for Youth Residential Treatment Services were provided under contracts for which there was no underlying competitive solicitation for the first four months of fiscal year 2020 and contracts under the new solicitation approved on July 22, 2019 did not become effective until February 1, 2020.

Status: We noted no similar instances in the current year audit.

2. Observation: While performing our tests over the procurement system, we noted a Sole Source approval for a contract approved on September 23, 2019 was not obtained until December 2, 2019 and was not obtained for the new contract approved on August 31, 2020.

Status: We noted no similar instances in the current year audit.

3. Observation: The State purchasing laws require that Commissioners Court approve the County's participation in each purchasing cooperative. However, documentation of Commissioner's Court approval for participation in TxSmartBuy Cooperative was not provided for our review. Additionally, approval of the Cooperative Education Services (CES) Public Educational Institution was not documented in the minutes.

Status: This item has been addressed by presenting a comprehensive list of Cooperative Contracts and Interlocal Agreements to the Commissioners Court for approval during fiscal year 2021.

4. Observation: Our tests of vendor activity indicated that purchases from one vendor exceeded \$50,000 during the fiscal year, but had not been procured under a proper procurement method and the County's policy requiring three quotes for individual purchases exceeding \$3,000 was not complied with.

Status: We noted no similar instances in the current year audit.

#### **Federal Program Compliance - Coronavirus Relief Fund (CRF), AL 21.019**

5. Observation: While performing our tests over federal compliance for the CRF, we noted that a subaward agreement of federal funds did not contain the information to the subrecipient required by 2 CFR 200 and that the contract period exceeded the program's period of performance.

Status: We noted improvement in this area.

6. Observation: While performing our tests over federal compliance for the CRF program, we noted that risk assessments of subawardees of federal funds were performed several months after the execution of the related contract and first payment.

Status: We noted improvement in this area.

## Current Year Comments

### **Public Funds Investment Act Compliance**

1. Observation: In accordance with the Public Funds Investment Act and the County's investment policy, the list of qualified brokers is to be reviewed, revised and adopted annually by Commissioners Court. However, we were unable to locate such an action in the minutes.

Recommendation: We recommend that Commissioner's Court approve the list of qualified brokers annually in accordance with the Public Funds Investment Act and the County's investment policy, and properly document the action in the minutes.

### **Uniform Guidance Compliance**

2. Observation: Upon review of the County's Purchasing Policies and Procedures for compliance with 2 CFR 200, we noted that the manual does not describe the procedures for some of the Procurement Standards required by 2 CFR 200.318 to 200.327.

Recommendation: We recommend that the Purchasing Policies and Procedures be updated to include the procedures the County has implemented to ensure compliance with the Uniform Guidance.

### **Procurement**

3. Observation: While performing our tests over the procurement system, we noted that at least two purchase orders referenced a cooperative contract that had previously expired. Additionally, in a separate instance, we noted that for at least five purchases from the same vendor it was documented that at least three quotes were requested each time from the same vendors. However, in each instance, only one vendor responded with a quote.

Recommendation: We recommend that the individuals issuing purchase orders receive additional training in the use of cooperatives, and we further recommend that the vendor pool be expanded to ensure the County receives competitive pricing.