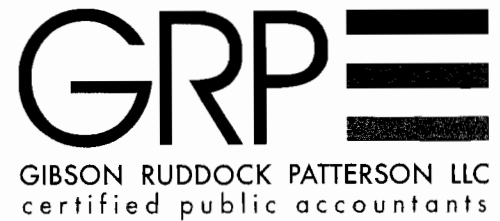


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March 21, 2012

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of El Paso, Texas for the year ended September 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards *Government Auditing Standards* and OMB Circular A-133, 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 May 17, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by County of El Paso, Texas are described in Note 1 to the financial statements. We noted no transactions entered into by the County of El Paso, Texas 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 depreciation is based on estimated useful lives of the related assets.
2. 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.
3. Management's estimate for health care open claims is based on the third party administrator's lag report.
4. Management's estimate of the amortization of financing costs, bond premium and discounts is based upon the life of the debt.

5. Management's estimate of the contingent liabilities associated with ongoing litigation is based on legal counsel opinions and past experience.
6. Management's zero (\$0) estimate of the allowance for uncollectible "other" receivables is based on management's opinion that an allowance for doubtful accounts is not necessary for fair presentation.
7. Management's estimate of the arbitrage payable is based upon the calculation provided by bond counsel.
8. 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, 2011.
9. Management's estimate of the total costs of services yet to be performed for construction projects under noncancellable contracts. These estimates are based upon the related contracts and any applicable change orders.
10. Management's estimate of the other post employment benefits (GASB 45) related liabilities is based upon the actuarial study provided by a third party. Management also estimated the portion of the liability that is considered to be long-term which is based upon the amount that is funded and paid per year.
11. 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.

Difficulties Encountered in Performing the Audit

We encountered no 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 trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. 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, professional standards define a disagreement with management as 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 March 21, 2012.

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 governmental unit'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 of County of El Paso, Texas'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 several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the County's internal controls in our report dated March 21, 2012. These comments do not affect our report dated March 21, 2012, on the financial statements of County of El Paso, Texas. 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 Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, 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.

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

Very truly yours,

Handwritten signature of Ch Ruddock Patten LLC

Prior Year Comments

Procurement

1. Observation: In performing our inquiries regarding Federal and State compliance, it was noted that vendors who submit bids are required to sign a suspension and debarment certification. However, since the bid threshold has been increased to \$50,000, there appears to be no procedures in place to ensure that vendors with whom the County expends more than \$25,000, using Federal funds, for goods/services not bid out, are not suspended or debarred. Similarly, for sole source purchases and purchases through cooperatives, the County does retain documentation that the vendor is not suspended or debarred.

Status: We noted improvement in this area; it appears the County Auditor's Grants Division is monitoring this.

2. Observation: During our walkthrough we noted that the sealed bid packets received are kept in an unlocked file cabinet, and when they are taken to be opened there is no documentation to indicate they have been checked against the bid log.

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

3. Observation: Local Government Code 262.024(a)(7) and 262.024(c), states that after accepting a signed statement from the County official who makes purchases for the County as to the existence of only one source, the County must enter in its minutes a statement to that effect. Based on our inquiry, this is not done on a consistent basis.

Status: This situation still exists, see current year comments.

4. Observation: We noted in one instance that an explanation for not awarding the bid to the lowest bidder was not included with the bid documents. After our inquiry, we were provided correspondence to support the decision to award to another bidder, which appeared proper.

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

Payroll

5. Observation: During our review of state payroll compliance, we requested the semiannual certifications completed during the fiscal year for selected employees. The certifications for employees paid with Texas Juvenile Probation grants for the fiscal year were dated the date of our request, which was over two months after the end of the fiscal year. The certifications for employees paid with Texas Automobile Burglary and Theft Prevention Authority grants for the fiscal year were not prepared on either a periodic or semi-annual basis.

Status: This situation still exists, see current year comments.

Prior Year Comments (Continued)

Capital Assets

6. Observation: Tagging of various controllable items purchased with a U.S. Department of Homeland Security grant was not performed until the day of our physical review, which was after our inquiry regarding the tag ID numbers for various items purchased. As such, the items were not tagged in accordance with OMB A-133 and the County of El Paso policy.

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

7. Observation: Based on our testwork related to selected capital assets, it was noted that certain capital assets had the incorrect cost recorded in the County's inventory system (FAACS). Although adjustments to the costs were made subsequent to our inquiry, the controls over this area allowed incorrect information to be recorded in FAACS.

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

Current Year Comments

Procurement

1. Observation: Local Government Code 262.024(a)(7) and 262.024(c), states that after accepting a signed statement from the County official who makes purchases for the County as to the existence of only one source, the County must enter in its minutes a statement to that effect. Based on our inquiry, this is not done on a consistent basis for sole-source vendors.

Recommendation: We recommend that steps be taken to ensure the County is in compliance with the law cited above, and that the Commissioners Court minutes recognize all sole source vendors.

Payroll

2. Observation: During our review of federal payroll compliance, we noted that one Certification of Salaries and Wages Charged to Federal Awards provided for review for the month of April 2011 for an employee funded 100% by a federal award was dated at the time of our request, January 4, 2012. In addition, during our review of state payroll compliance, we noted that the grant personnel activity reports prepared for one employee did not include the date of the employee's or supervisor's signature which is necessary to confirm that the reports were attested to after the fact per OMB A-87 requirements.

Recommendation: We recommend the County implement a control mechanism to ensure that certifications for 100% funded employees are completed, maintained on a timely basis and signed after the fact in accordance with OMB A-87 compliance requirements. In addition, we recommend the County implement a control mechanism to ensure that the employees attest to their work performed soon after the work has been completed and that they date the documentation when they sign it.

3. Observation: During our review of federal and state payroll compliance, we noted instances where four employees who were 100% funded with federal grants and four employees who were 100% funded with state grants were included on the Certification of Salaries and Wages Charged to Federal or State Awards form for periods during which they were not actually paid through the particular grant.

Recommendation: We recommend that the dates of any employee's tenure under a particular grant should be added to the certification in order to clarify the actual time the employee was paid with federal or state grants.

4. Observation: The County did not maintain the required time distribution documentary support for one employee who charged 25% of worked time to a state major program.

Recommendation: The County should review OMB Circular A-87 and UGMS II (B)(11)(h)(5,7) to ensure the standards regarding time distribution are met, and compensation for personnel services is determined and supported as provided in OMB Circular A-87, Attachment B, paragraph 8.h. and UGMS II (B)(11)(h)(5,7).

County of El Paso, Texas

Passed Adjustments
September 30, 2011

Account Description	Government Wide (Exhibit 1)		Government Wide (Exhibit 2)		Governmental Funds (Exhibit 3)		Governmental Funds (Exhibit 4)	
	Balance Sheet		Income Statement		Balance Sheet		Income Statement	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
1 Cash Revenue To pass on recording federal revenue funds received during FY 2011, see WP 3-2.1	40,198			40,198	40,198			40,198
	40,198	-	-	40,198	40,198	-	-	40,198