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April 10, 2014

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

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of El Paso, Texas for the year ended September 30, 2013. 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, *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, 2013. 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. As described in Note 1 to the financial statements, management implemented *GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* in fiscal year 2013. Accordingly, the Statements of Net Position are presented in accordance with this statement. We noted no transactions entered into by the governmental unit 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 the arbitrage compliance specialist.
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, 2013.
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. 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 10, 2014.

*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 the governmental unit'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. 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

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,



### Prior Year Comments

#### Procurement & Suspension and Debarment

1. Observation: In one instance, the County was unable to provide evidence that a purchase from a vendor utilized a purchasing cooperative. We contacted the vendor directly, who provided us with evidence of their participation in a purchasing cooperative, which is an allowable procurement method.

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

2. Observation: In one instance, we were unable to verify Commissioners Court approval for the Texas Cooperative Purchasing Network (TCPN) and Commissioners Court order granting the exemption for food purchases. Per our inquiry to the Purchasing department personnel, the approval for TCPN was provided by the Court about 5-6 years ago and the court order granting exemption for food purchases was granted 30 years ago.

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

3. Observation: During the fiscal year ended September 30, 2012, it appears the County was verifying non-suspension and debarment of vendors with payments of \$25,000 or more after the purchases with the vendor have been made. This after-the-fact control over suspension and debarment for 1) sole-source purchases, 2) purchases through interlocal-cooperatives and 3) purchases between \$24,999 and \$50,000, would not detect a disallowed vendor until after the allowable purchases have occurred. It appears this control would not prevent non-compliance from occurring; it only prevents further non-compliance from occurring.

Status: This situation still exists. To ensure full compliance with federal suspension and debarment requirements, the County's Purchasing Department should implement proactive controls. One such control is to obtain suspension and debarment certifications from all vendors prior to issuing a purchase order. Another option is to research each vendor on [www.Sam.gov](http://www.Sam.gov) which includes a list of all suspended and debarred vendors.

4. Observation: The County did not have official written policies in place for procurement and contracts which cover federal suspension and debarment requirements. As a recipient of direct federal awards, the County should address the following as part of its official written policies, as indicated in OMB A-133 Section \_\_.36(b)(1), and 2 CFR section 215.43:

- 1) Require contract files to document significant procurement history;
- 2) Methods of procurement authorized including selection of contract type, contractor selection or rejection, and the basis of contract price;
- 3) Verification that procurement provides full and open competition;

**Prior Year Comments (continued)**

- 4) Cost or price analysis, including contract modifications;
- 5) Obtaining and reacting to suspension and debarment certifications;
- 6) Other applicable requirements for procurement under Federal awards to be followed;
- 7) Contain or reference the federal requirements;
- 8) Prohibit the award or subaward, contract, or any other agreement for program administration, goods, services, or any other program purpose with any suspended or debarred party; and
- 9) Require staff to determine that entities receiving subawards of any value, and procurement contracts equal to or exceeding \$25,000, and their principals are not suspended or debarred, and the means that will be used to make that determination, i.e, checking the [www.Sam.gov](http://www.Sam.gov); obtaining a certification; or inserting a clause in the agreement.

Status: The County adopted a Federal Debarment and Excluded List Policy that appears to address items 5, 8, and 9 listed above. However, this situation still exists for all other items listed above. The Department should consider the OMB directive a priority due to turnover in staff, and appropriately address the criteria noted in this observation.

5. Observation: During the course of making our standard inquiries, it came to our attention that the County has no formal method of communicating the source of funding and special procurement provisions related to federal and state awards, if any exist, to the Purchasing Department.

Status: This situation no longer exists.

**Non-payroll Transactions**

6. Observation: During our review of non-payroll expenditures of the Sheriff Justice Forfeiture account, we noted one instance where an employee was reimbursed for estimated travel costs, but then later submitted supporting documentation for costs incurred which were less than those estimated by an insignificant amount. On the date of our review, management followed up with the employee, who was still not able to provide receipts for the additional expenditures incurred and, as such, management collected the excess funds from the employee.

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

**Prior Year Comments (continued)**

**Grant reconciliations**

7. Observation: Our review of the grant reconciliation for a state major program indicated that some of the related revenues were not recognized during the prior year. Subsequent to our review management recorded a prior period adjustment to recognize this revenue in the proper period.

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

## Current Year Comments

### Investments

1. Observation: The County has appointed more than one investment officer to ensure an authorized individual is always available to oversee the investment activity. However, we noted that one of the investment officers is considered to be a backup and does not prepare and sign the quarterly reports as required by Government Code 2256.023(b)(2&3).

Recommendation: We recommend that all investment officers be involved in the preparation of the investment report and to sign it, in order to be in compliance with the Public Funds Investment Act.

### Cash Reconciliations

2. Observation: We noted that the cash-to-cash reconciliations for the General Fund and individual grants are not being reviewed by a second individual, which could allow an error to go undetected. This appears to be due to a shortage in personnel.

Recommendation: We recommend implementing a second review when possible in order to strengthen controls over cash reconciliations.

### District Clerk Cash Receipts

3. Observation: We noted that during the year, the Accounting Manager evidenced her review and approval of the final reports showing the total amount collected for the day in the Till Balance and Transaction Report by initialing each report. However, after she left in January 2013, it was noted that the review was not evidenced in the same way. It appears that the review and approval was done visually but there were no initials present to document the review occurred.

Recommendation: We recommend management document the review and approval by initialing the reports in order to strengthen controls over cash receipts.

### Procurement

4. Observation: At the time of our testing, sole source documentation for a vendor could not be located. The County has since then obtained approval from Commissioner's Court on February 24, 2014 declaring this specific vendor to be a sole-source vendor.

Recommendation: We recommend the Purchasing Department develop standard procedures over sole-source documentation, including record retention procedures, etc.

**Current Year Comments (continued)**

**Special Revenue Grants**

5. Observation: We noted several instances in which the documentation supporting the receipt of program income for the Rural Transit Assistance Program did not have the grant accountant's signature/initials indicating their review and approval.

Recommendation: We recommend grant accountants sign or initial receipt documentation as evidence of review and approval, in order to strengthen controls over cash receipts.



**County of El Paso, Texas**

Passed Adjustments

September 30, 2013

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
Revenue			35,746					
Expense				35,746				
To pass on correcting revenue related to stop loss claims, see W? 30R-5.								
	-	-	35,746	35,746	-	-	-	-