

600 SUNLAND PARK, 6-300  
EL PASO, TX 79912

P 915 356-3700  
F 915 356-3779  
W GRP-CPA.COM



April 28, 2015

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, the aggregate remaining fund information, and the budgetary comparison statements of the County of El Paso, Texas for the year ended September 30, 2014. 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 October 27, 2014. 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. 65, Items Previously Reported as Assets and Liabilities*, in fiscal year 2014. Accordingly, the Balance Sheet and Statements of Net Position are presented in accordance with this statement and the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities as a prior period adjustment. We noted no transactions entered into by the County of El Paso 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 bond premiums and deferred loss on refunding is based on 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 on 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, 2014.
9. 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.
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.

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. The attached schedule, *Passed Adjustments*, 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.

#### *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 28, 2015.

*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 of El Paso'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, schedule of funding progress for the retirement plan County of El Paso, and schedule of funding progress other post employment benefits County of El Paso, which are required supplementary information (RSI) that supplements 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 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 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.

County of El Paso, Texas  
Page 4  
April 28, 2015

Restriction on Use

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,

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

### Prior 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).

Status: This situation no longer exists.

#### Cash Reconciliations

2. Observation: We noted that the cash-to-cash reconciliations for the General Fund and individual grants were 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.

Status: This situation still exists.

#### 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.

Status: This situation no longer exists.

#### Procurement

4. Observation: At the time of our testing, the 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.

Status: During this year's financial audit, we saw no new instances in which sole source was claimed. The County has implemented procedures to ensure appropriate documentation and approval is obtained prior to claiming sole source.

#### 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.

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

### Current Year Comments

#### Investments

1. Observation: The Public Funds Investment Act requires that a written copy of the investment policy be presented to persons/firms offering to engage in an investment transaction with the entity. An acknowledgement letter from a qualified business representative should be received stating that the policy has been received and reviewed, and that they have implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization which are not authorized by the entity's investment policy. It was noted that a new investment policy was adopted in June 2014. As of February 10, 2015, the written copy of the investment policy had not been presented to the firms offering to engage in investment transactions with the County.

Recommendation: We recommend management ensure that a written copy of the investment policy be sent to firms engaging in investment transactions with the County in a timely manner and that acknowledgment letters are received from the firms. By implementing this process, management will help ensure the County maintains compliance with the Public Funds Investment Act.

2. Observation: The Public Funds Investment Act states that the governing body shall at least annually, review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions. The term brokers has been described to include investment pools. Upon inquiry of management, the County did not approve this list because they had the understanding that investment pools were not considered brokers.

Recommendation: We recommend management ensure that a list of qualified brokers is adopted at least annually and, in order to be in compliance with the Public Funds Investment Act the list should include all investment pools as well.

#### Cash Reconciliations

3. Observation: We noted that the cash-to-cash reconciliations for the General Fund and individual grants were 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: To strengthen internal controls, management should implement a process whereby a review of the bank reconciliations is performed by a second individual. In addition, this review should be documented by initials or other similar manner.

#### Procurement

4. Observation: Although the County has improved its communication procedures regarding sources of funding on procurement solicitations, it came to our attention during our review of procurement for major programs, that the County still needs to improve its communication of special procurement provisions related to federal and state awards, if any exist, between grants, other departments involved with the scope of work and the purchasing Department.

In two of five procurement solicitations reviewed, we noted the County's local preference policy was included on solicitations funded with federal funds. Procurements funded with

federal funds are not allowed to include state or local geographical preferences, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference, which was not the case with these instances. The one general exception, which did not apply to either instance, is when contracting for architectural and engineering services, provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract. However, including the local preference policy did not impact the vendors awarded and would not have changed the outcome.

Recommendation: To ensure compliance, the County should consider implementing procedures whereby the Purchasing Department can be notified of the source of funds, and whether any specific grant provisions related to procurement exist. Providing a copy of the actual grant agreement to the purchasing department could prove helpful in identifying any special procurement provisions. In addition, both departments should become familiar with federal regulations that apply and special procurement provisions contained in grant agreements.

5. Observation: For a certain solicitation, we noted the solicitation file did not include documentation indicating why scenario two was not evaluated. In this proposal, scenario two requested meal prices with acquiring and equipping one preparation kitchen whereas scenario one was to utilize the three existing kitchens. The Purchasing Agent recalls the Director of Family and Community Services preferring to keep the locations throughout the city versus a central location. We also noted the CPI increase for a non-awarded vendor was transferred incorrectly to the final bid tabulation. The error would not have impacted the outcome.

Recommendation: Evaluations of the various alternates should be documented within the solicitation file. If an alternative is not going to be evaluated, an explanation should be documented in the file.

6. Observation: In accordance with federal regulations, 24 CFR Section 85.36, procurement by competitive proposal must identify all evaluation factors and their relative importance (24CFR85.36(d)(3)(i)). Although the County identified several factors that would be considered to determine award to the responsible firm, the exact criteria and relative importance (weights of the criteria) were not identified. The results of the solicitation yielded only one response. The awarded vendor performed on a contract with similar scope for the local housing authority so we believe the vendor was qualified to perform the work and services required of the project and the profit margin was reasonable. It is possible that the single response on the project may have been attributed to unclear evaluation criteria. The sole responding vendor also commented through an email included in the solicitation file that the proposal was a bit confusing.

Recommendation: The County should identify all evaluation factors and their relative importance in accordance with federal regulations. The Local Government Code, Chapter 262.030, also requires requests for proposals to specify the relative importance of price and other evaluation factors. Common evaluation factors include price, vendor reputation, quality of the vendor's goods/services, extent the vendors goods/services meet the County's needs, ability to comply with HUB, total long-term costs, record of past performance, and any other relevant factor specifically listed in the solicitation. The County will also should establish a method for conducting technical evaluations of the proposals received and for selecting

awardees. Methods established by other entities include a ranking of the proposals by a committee with proper background on the scope of work.



# County of El Paso, Texas

Passed Adjustments

September 30, 2014

Account Description	Government Wide (Exhibit 1)		Government Wide (Exhibit 2)	
	Balance Sheet		Income Statement	
	Dr	Cr	Dr	Cr
Workers' Compensation ISF Revenue			262,308	
Workers' Compensation ISF Net Position		262,308		
To pass on recording a prior period adjustment to adjust revenue in the WC fund to actual per WP 50R-6.				
	-	262,308	262,308	-