

March 30, 2018

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, 2017. 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 July 24, 2017. 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 the County are described in Note 1 to the financial statements. No new significant accounting policies were adopted and the application of existing policies was not changed during fiscal year 2017. 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 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 open health care claims is based on the third-party administrator's lag report.

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 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, 2017.
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 based upon the amount that is to be funded and paid per year.
11. Management's estimates for deferred outflows related to the Texas County and District Retirement System (TCDRS), the Texas Emergency Services Retirement System (TESRS), the County's share of net pension liability, and the deferred inflows related to TCDRS and TESRS are based on estimates provided by TCDRS and TESRS.
12. 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 March 30, 2018.

*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, 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 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 "CH Ruddock Peltz LLC". The signature is written in a cursive, flowing style.

**Prior Year Comments**

**Federal Compliance – Wage Rate Requirements**

1. Observation: According to the OMB Compliance Supplement, non-federal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations. Per review of a sample of contracts under the CDBG federal program, the Wage Rate Requirements provision was included in the contractor's contract. However, while the contract with subcontractors included some of the Wage Rate Requirement elements, it did not make a specific reference to the Wage Rate or Davis Bacon Act.

Status: This situation no longer exists. The recommendation that contracts with subcontractors include specific language referencing the Wage Rate or Davis Bacon requirements to ensure compliance was implemented during fiscal year 2017.

**Current Year Comments**

**Cash Receipts – Tax Office**

1. Observation: In three instances, we noted that the daily cash deposit record was not signed by a second individual from the Ysleta branch tax office.

Recommendation: We recommend that management ensures that all daily cash deposit records are reviewed and approved by a second individual.

**State Compliance - Investments**

2. Observation: Per the Public Funds Investment Act, the governing body shall at least annually, review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions. Our inquiries and review indicate that Commissioner's Court approves the County's Investment Policy each year. However, it appears that the list of brokers was not separately adopted for fiscal year 2017.

Recommendation: Management should ensure that a list of qualified brokers is adopted at least annually.