

April 8, 2020

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, 2019. 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 23, 2019. 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. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in fiscal year 2019 and included the required disclosures in the notes to the financial statements. 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, 2019.
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 8, 2020.

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 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 cursive script, appearing to read "Ch. Ruddled". The signature is written in black ink and is positioned below the "Very truly yours," text.

Prior Year Comments

Other Post-employment Benefits (OPEB)

1. Observation: While performing procedures to substantiate the various components related to the Other Post-employment Benefit amounts reported, it was noted that the claims invoices from the third-party administrator lacked specific details. We recommended that management request detailed invoices from the third-party administrator which distinguish between claims from active employees and retirees which would allow for additional review and control procedures to be performed on a monthly basis.

Status: This situation no longer exists. The third-party administrator began providing a detailed listing of claims paid to retirees in fiscal year 2019-2020.

Procurement

2. Observation: While performing our tests over the procurement system, it was noted that in one instance, the transcription and translation services provided by one vendor were not procured using a proper procurement method. We recommended additional training related to procurement requirements be provided to the appropriate personnel.

Status: This situation no longer exists. Transcription and translation services were procured using a cooperative in fiscal year 2019-2020.

Current Year Comments

Cash Disbursements

1. Observation: We noted that a number of purchases were made from one company, but the related payments were recorded to two separate active vendors with different EINs.

Recommendation: We recommend that the vendor file be examined for duplicate and/or expired vendor files and that payments be reviewed for agreement to the appropriate vendor information on the respective invoice to avoid duplicate payments.

Procurement

2. Observation: While performing our tests over the procurement system, we noted that two contracts had expired approximately three months prior to the award of a new bid which could have resulted in the County's temporary inability to obtain necessary goods and services.

Recommendation: We recommend that a schedule of contract expiration dates be established along with the date when the procurement process should be started to replace the existing contract.

3. Observation: The State purchasing laws require that Commissioners Court approve the County's participation in each purchasing cooperative. However, we were not provided with the approval dates and documentation for participation in certain purchasing cooperatives.

Recommendation: We recommend that documentation is maintained of the Commissioners Court approval for participation in each purchasing cooperative.

4. Observation: We noted that for three Sole Source vendors, evidence was not provided that the Sole Source determination was properly documented in the Commissioners Court minutes as required by the Texas Local Government Code, Section 262.024(c).

Recommendation: We recommend that management ensure the appropriate steps be taken to ensure that the County is in compliance with applicable laws related to Sole Source providers.