



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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01-05

January 9, 2025

The Honorable Judge Anna Perez
Administrative Judge, 41th Judicial District
County Courthouse Building
500 East San Antonio Street
El Paso, Texas 79901

Dear Judge Perez:

The County Auditor's Internal Audit division performed an audit of County Investments for April 2019 through June 2024 to determine if internal controls are adequate to ensure proper preparation of investment reports and statutory compliance. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating, and efficient.

This audit was impacted by numerous challenges such as new software implementation and the shift of investment duties from the Financial Reporting division to the Treasury division. The audit report is attached. There was one finding noted as a result of the audit procedures, which is a repeat finding. We wish to thank the management and staff of Treasury and Financial Reporting divisions for their assistance and courtesies extended during this audit.

Because of certain statutory duties required of the County Auditor, this office is not independent in regard to the subject of this audit, as defined by AICPA professional standards. However, our audit was performed with objectivity and due professional care.

Respectfully,

A handwritten signature in blue ink that reads "Barbara Parker".

Barbara Parker
County Auditor

BP:KA:ya

cc: Mr. Michael Lamas, First Assistant County Auditor
Ms. Donna Teague, Financial Operations Director
Mr. James Utterback, Audit Manager Senior, Financial Reporting
Mr. Raymond Gomez, Audit Manager, Treasury



INVESTMENTS AUDIT

For the period of April 2019 to June 2024

EXECUTIVE SUMMARY

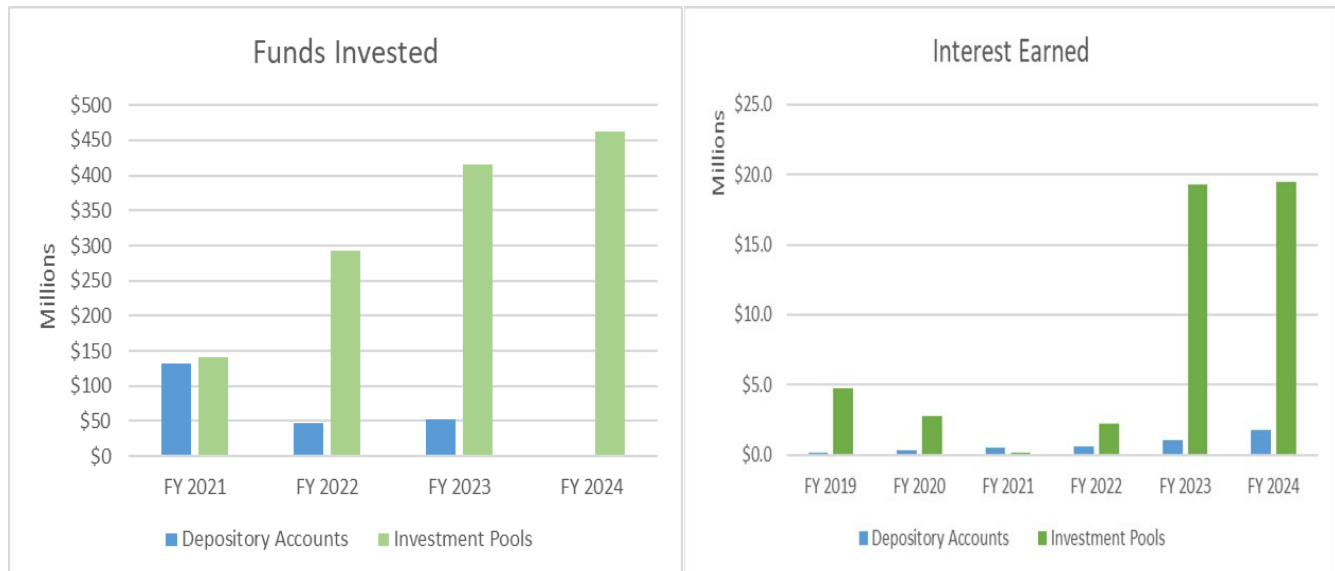


BACKGROUND

The Treasury division of the County Auditor's Office is responsible for the investment of idle cash under the control and custody of the County Auditor in a manner maintaining the safety of principal and liquidity of invested funds while providing a reasonable rate of return in accordance with *Texas Government Code §2256*, Public Funds Investment Act (PFIA), and the El Paso County Investment Policy. The Financial Reporting division was responsible for these duties until December 2023 when investment duties were transferred to the Treasury division to streamline processes within the County Auditor's office.

The Treasury division updates the Daily Cash Balance report and evaluates cash needs by major fund to identify investable funds or funds needed to cover operations. The investment recommendations are reviewed by Auditor executive management and, if approved, funds are withdrawn or invested. This audit was performed by Kimberly Acosta, internal auditor certified-I. The prior audit report was issued on October 4, 2019, with two findings.

The first chart shows the average funds invested for the past four years. The second chart shows the interest earned for the past four years.



Source: Quarterly Investment Reports, Investment Reconciliations, Monthly Reports, and Enterprise ERP

OBJECTIVES

The audit evaluated the adequacy of controls and processes used to achieve key business objectives related to the investment of County funds. Following are the business objectives and related control assessment based on the audit work performed.

Business Objective	Control Assessment
1. Documented policies and procedures in accordance with the PFIA.	Needs Improvement
2. Compliance with education training requirements.	Satisfactory
3. Quarterly reports are accurate and issued timely.	Satisfactory
4. Appropriate review and approval of daily analysis reports and investments.	Satisfactory
5. Broker/dealers meet the requirements indicated on the investment policy.	Satisfactory

SCOPE

The scope is April 2019 through June 2024.



INVESTMENTS AUDIT

For the period of April 2019 to June 2024

EXECUTIVE SUMMARY



METHODOLOGY

To achieve the audit objectives, we:

- Reviewed the County Investment Policy to ensure accordance with *Texas Government Code § 2256.005*.
- Reviewed divisional policies and procedures to ensure proper controls are in place.
- Reviewed latest training certificates acquired by the Investment Officer and staff involved in the investment process.
- Reviewed quarterly reports for accuracy, completeness, proper review, and timely submission to Commissioners Court.
- Tested a sample of the daily analysis and investments reports for accuracy, completeness, timeliness, review, and approval.
- Reviewed broker/dealers compliance with Investment Policy requirements.

RESULTS

Listed below are control and finding summaries, with observations listed from highest to lowest risk. Please see the *Findings and Action Plans* section of this report for details and management action plan(s).

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none">• Education and training requirements are satisfactory (Obj. 2)• Timeliness and accuracy of quarterly reports. (Obj. 3)• Review and approval of daily analysis reports. (Obj. 4)• Broker/dealer requirements are met (Obj. 5)	<ul style="list-style-type: none">• Policies and Procedures are correctly documented (Obj. 1)
Finding Summary	
Incomplete County Investment Policy related to monitoring market price of investments	

INHERENT LIMITATIONS

This financial review was designed to provide reasonable assurance that the internal control structure is adequate to safeguard County assets from loss, theft, or misuse. The County's internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of implementing the controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires the use of estimates and judgment by management. Because of the inherent limitations in any system of internal controls, errors, or irregularities may occur and not be detected.

CONCLUSION

The internal control structure of County Investments was satisfactory for four of the five objectives of this audit. Implementation of the recommendation provided in this report should assist in strengthening the internal control structure.



INVESTMENTS AUDIT
For the period of April 2019 to June 2024
FINDINGS AND ACTION PLANS



Prior Audit Findings Summarized with Current Status

Status

Open

**See
current
finding #1**

1. **Finding: Incomplete Investment Policy** – Methods to monitor the market price of investments and rate changes are not included on the investment policy as it is required by Government Code 2256.005(b)(4)(D) and (F). Repeat finding. Not having a method to monitor any changes could result in inconsistent information that is not reliable for projections and forecasting purposes.

Recommendation: Investment policy must include the methods to monitor the market price of investments and the procedures to monitor rating changes as required by law.

Closed

2. **Finding: Internal Procedures** - Documented procedures do not reflect current practices. Documented procedures state Treasury division determines the investable funds. However, Financial Reporting division determines investable funds. Procedures serve as a guidance to County employees and establish the responsibilities of each of the staff involved in the investment process. Not having a clear guidance could confuse employees and they would not perform their duties.


Recommendation: Documented procedures should be updated to reflect the current procedures in the investment process for each appropriate division. Such procedures should be reviewed and updated on a periodic basis and whenever actual processes change.



INVESTMENTS AUDIT
For the period of April 2019 to June 2024
FINDINGS AND ACTION PLANS



Current Audit Findings & Action Plans

Finding # 1			Risk Level 
Incomplete Investment Policy – Methods to monitor the market price of investments and rate changes are not included on the investment policy as required by Government Code 2256.005(b)(4)(D) and (F). Repeat finding. Not having a method to monitor any changes could result in inconsistent information that is not reliable for projections and forecasting purposes.			
Recommendations			
Investment policy must include the methods to monitor the market price of investments and the procedures to monitor rating changes as required by law.			
Action Plan			
Person Responsible	Treasury Division Manager	Estimated Completion Date	January 27, 2025
Investment policy has been updated by staff and is under review by investment advisors. The policy is expected to be approved by Commissioners Court on January 27, 2025.			