

June 27, 2025

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, 2024. 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*, the Uniform Guidance, and the Texas 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 November 6, 2024. 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. 100, *Accounting Changes and Error Corrections – an amendment of GASB No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections and to provide more understandable, reliable, relevant, consistent, and comparable information for making or assessing accountability. 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, 2024.
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. The portion of the total OPEB liability reported as "due within one year" is based on an estimate of benefit payments expected to be paid within one year provided by the actuary.
12. Management's estimates of the County's share of the net pension asset and 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.
14. Management's estimate of the lease receivable and related deferred inflows of resources is based on a present value calculation of the future payments to be received.
15. Management's estimate of the right-to-use lease assets and related liability is based on a present value calculation of the future minimum payments. Amortization of the right-to use lease assets is based on the shorter of the lease term or the useful life of the underlying assets.
16. Management's estimate of the right-to-use SBITA assets, an intangible asset, and SBITA liability is based on a present value of the reasonably certain expected payments to be made over the term of the SBITA. Amortization of the right-to-use SBITA assets is based on the shorter of the SBITA term or the useful life of the underlying assets.

We evaluated the methods, assumptions, and data 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 of 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. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such unrecorded misstatements are immaterial to the financial statements under audit. The following material misstatements detected as a result of audit procedures were corrected by management. An adjustment to remove prior year expenses already recorded in the general fund in prior years from the Special Revenue-Grants major fund was corrected by management. The uniqueness of COVID awards presented new challenges and guidance in accounting for such funds. Secondly, an adjustment to reclassify receipts from revenue to unearned revenue for purposes of an upcoming election subsequent to fiscal year end was corrected by management.

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 June 27, 2025.

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. We previously reported on the County's internal controls in our report dated June 27, 2025. These comments do not affect our report on the financial statements of the County of El Paso, Texas. 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.

June 27, 2025

Other Matters

We applied certain limited procedures to the management's discussion and analysis, and other 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.

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 "Gibson Ruddock Patterson LLC". The signature is written in a cursive, flowing style.

Gibson Ruddock Patterson, LLC

Status of Prior Year Comments

Procurement

1. Observation: During procurement testing, we noted that the County utilized another governmental entity's vendor contract for a purchase without an interlocal agreement in place with that governmental entity.

Status: Similar instances were noted in the current year under audit. Due to the timing of the previously communicated observations, the earliest management could put together their training sessions was after the current year under audit was complete. Management conducted procurement training sessions beginning in fiscal year 2025 and expects significant improvement in procurement compliance thereafter. See current year comments.

2. Observation: In another instance of procurement testing, we noted that expenditures were incurred after the contract expired on September 30, 2021.

Status: We noted a similar instance of an expired extension. Due to the timing of the previously communicated observations, the earliest management could put together their training sessions was after the current year under audit was complete. Management conducted procurement training sessions beginning in fiscal year 2025 and expects significant improvement in procurement compliance thereafter. See current year comments.

Uniform Guidance Compliance

3. Observation: Upon review of the County's Purchasing Policies and Procedures for compliance with 2 CFR 200, we noted that the manual does not describe the procedures for some of the Procurement Standards required by 2 CFR 200.318 to 200.327. We recommended that the Purchasing Policies and Procedures be updated to include the procedures the County has implemented to ensure compliance with the Uniform Guidance.

Status: This situation still exists for Procurement Standard 2 CFR 200.322. See current year comment

Public Funds Investment Act Compliance

4. Observation: The investment policy does not appear to identify the methods for monitoring the market price of investments or procedures to monitor rating changes in investments acquired with public funds as required by Texas Government Code 2256.005(b).

Status: Subsequent to fiscal year-end, management updated their Investment Policy and adopted the new policy on January 27, 2025. The policy includes a new section titled "Downgrade Provision for Investment Ratings."

Status of Prior Year Comments, continued.

Federal Program Compliance – Emergency Food and Shelter Board Program

5. Observation: We noted that a subrecipient contract did not include all the required information to the subrecipient in accordance with the Uniform Guidance.

Status: We noted a similar instance for a different major program tested. The original Attachment E was missing certain required information. As a result of our inquiry, the completed Attachment E was obtained and provided for our review. Based upon communication with management in December 2024, the County Attorney's department is developing standard subrecipient contract templates that will include information required by the Uniform Guidance. In addition, the importance for following guidelines was stressed at the "Financial Management Training" sessions held.

Federal Program Compliance – Coronavirus State and Local Fiscal Recovery Funds

6. Observation: We noted that certification forms of a subrecipient contract were not signed by the subrecipient. Based on our inquiry during the audit, the forms were subsequently signed by the subrecipient.

Status: No similar instances noted during the current year under audit.

Financial Reporting – Accounting Matters

7. Observation: As part of our preliminary inquiries, we noted the implementation team was not confirming key aspects of proper implementation of the GASB 96 standard. Reasonably certain to renew inquiries were not made of various department personnel when evaluating contracts. In addition, the County erroneously evaluated an agreement as long-term and within the scope of GASB 96.

Status: Based upon communication with management in December 2024, ongoing training was being implemented. The Auditor's department contracted with a temporary agency to help meet the increased workload and training requirements. At least one additional permanent position is being requested in the FY26 budget.

Current Year Comments

Procurement

1. Observation: Purchases for one vendor exceeded the "Not to exceed amount" and resulted in purchases not properly procured because the \$50,000 threshold was exceeded. The contract for this vendor was not routed to the Purchasing department for review.

Recommendation: We recommend management ensure its employees follow the proper procedures to ensure purchases are in compliance with statutes and the County's purchasing policy. These procedures include routing to the Purchasing department for review. In addition, we recommend management ensure procedures are in place to monitor the total amount of purchase orders issued for a Commissioner Court award with a "Not to Exceed" provision as previously recommended.

Management Response: *Purchasing will work closely with the County Auditors to ensure that when the funding source requires procurement procedures, proper verification is conducted to confirm that procurement was completed prior to issuing payments. In addition, the importance for following guidelines was stressed at the "Financial Management Training" sessions held.*

2. Observation: During procurement testing, we noted expenditures were incurred after the contract extension expired on September 30, 2023. A second extension was available through September 30, 2024, but had not been executed at the time of our review.

Recommendation: We recommend preventive measures be implemented and ongoing monitoring to ensure extensions are executed timely. Best practices include simple measures such as calendar reminders and including the recent extension end date on the most recent related purchase order to serve as a warning of an upcoming expiration.

Management Response: *These services are in the process of being vetted through a competitive Request for Proposal (RFP). The County's contract management system notifies end users when their contracts are approaching expiration. However, Purchasing will emphasize the importance of monitoring these notifications as part of our departmental training sessions.*

3. Observation: We noted purchases with two vendors exceeded the \$50,000 threshold. With the first vendor, management was already aware the threshold was exceeded and planning to issue a formal solicitation for future purchases. With the second vendor, the purchase breakout is below the formal threshold by approximately \$222 and management determined formal solicitation was not applicable. However, based on our inspection of key dates and purchase amounts, the circumstances may be indicative of attempting to circumvent the use of the formal procurement method. The purchase order was issued near the prior fiscal year-end with an issue date of September 8, 2023. The invoice was dated October 26, 2023 (a different fiscal year). An additional purchase made in fiscal year 2024 resulted in expenditures exceeding the \$50,000 formal solicitation threshold. Management is reviewing the second vendor for formal process for future purchases.

Recommendation: We recommend monitoring of purchases slightly below the formal solicitation threshold and consider any patterns or trends from departments/purchasers that may indicate circumvention and determine if purchases need to be regrouped and/or if formal solicitation applies.

Management Response: *Purchasing is closely monitoring all vendors approaching the \$50,000 threshold. A monthly report is generated and reviewed with buyers during the weekly Buyers Academy meetings to determine the most appropriate procurement method for each vendor and situation.*

Status of Current Year Comments, continued.
Procurement, continued.

4. Observation: For a contract awarded through a purchasing cooperative, a document addressing the significant differences between the independent cost estimate and the award amount was not provided. The client informed us that the technical components were not included in the independent estimate and an increase in cost was expected.

Recommendation: As a best practice, expected increases over the cost estimate and their reasonableness should be documented, such as in the cost/price analysis.

Management Response: *Purchasing will continue to receive training on Federal Grant funding requirements and the necessary documentation that must be completed and reviewed to ensure compliance.*

5. Observation: Two vendors granted exemptions from formal solicitation in accordance with the Local Government Statute 262, did not evidence the exemption in the commissioner's court minutes. For one vendor, the 262.024(a)(4) exemption is documented in the contract. Based on inquiry, the contract was not routed to the purchasing department for evaluation of the procurement method and approval by the purchasing agent, similar to the prior year. For the second vendor, Sole Source documentation was provided to CC in the agenda item but the Sole Source approval is not documented in the minutes. Lastly, other discretionary exemptions for elevator parts and repairs may be more appropriate than claiming sole source.

Recommendation: We recommend explicit compliance with the statute which reads, "If an item exempted under Subsection (a)(7) is purchased, the commissions court, after accepting a signed statement from the county official who makes purchases for the county as to the existence of only one source, **must enter in its minutes a statement to that effect.**" In addition, any of the discretionary exemptions granted under Local Government Statute 262 require an **order** by commissioner's court.

Management Response: *Purchasing will ensure that all purchases and the corresponding procurement methods are clearly read on the record, particularly in instances where multiple procurement methods are used for a single purchase. Buyers have been trained on this requirement as a result of this observation. In addition, the importance for following guidelines was stressed at the "Financial Management Training" sessions held.*

Uniform Guidance Compliance

6. Observation: The County's Purchasing Policies and Procedures manual does not describe the procedures for the Procurement Standard at 2 CFR 200.322 regarding the Buy American requirement. We have noted this missing standard in writing since the 2021 audit. Other missing procurement standards were updated but this standard is still missing.

Recommendation: We recommend the Purchasing Policies and Procedures be updated in writing immediately to include the missing procurement standard to ensure compliance with the Uniform Guidance.

Management Response: *The purchasing department has incorporated the recommendations as well as the upcoming changes in the law. The plan is to have the Policies and Procedures on Commissioners Court by October 2025. It is currently in legal review.*

Financial Reporting – Accounting Matters

7. Observation: We noted certain Construction in Progress projects were completed in a prior year but were not reclassified to depreciable assets. Management opted to record an error correction.

Recommendation: We recommend the status of Construction in Progress projects is verified for financial statement reporting purposes, including those projects constructed by other governmental entities but owned by the County.

Management Response: *The County Auditors office will work closely with the Public Works division and the accounts payable division on payments that are related to construction in progress and the status of the construction.*

8. Observation: The major fund determination included a few errors and revisions were provided. However, the overall conclusions were not impacted.

Recommendation: We recommend updates to the template to prevent repeat errors on future calculations.

Management Response: *The templates have been updated. The major fund worksheet was prepared off the initial year-end reports from Munis in October to determine the major funds. We will recheck to ensure that nothing is missing before the statements are finalized.*

Payroll

9. Observation: During our payroll testing, we noted two instances where all elements of the general ledger account string for an employees' longevity pay were not updated when they were moved into new positions. Longevity was coded to regular salary instead of longevity. All other elements of the general ledger account string were updated properly.

Recommendation: We recommend when an employee change occurs, all elements of the salary general ledger account string, including longevity, be reviewed closely to ensure they are updated appropriately.

Management Response: *The Human Resources department has added procedures to address this issue and prevent recurrence to include internal regular audit that will specifically target proper coding, interdepartmental coordination between the Human Resources department and the Sheriff office Payroll department. And, finally, working with Tyler to automate the coding of the accounts if possible.*

Census Data

10. Observation: We noted instances in which the December 31, 2023 Census data report included repeat comments that were carried over from the prior year's Census data report. In addition, we noted instances in which the December 31, 2023 Census data report included employee names that differed from the County's records.

Recommendation: We recommend the County review the Census data report for the measurement period and correct any discrepancies that are found.

Management Response: *The Human Resources department and the County Auditor Payroll division will work to update records in the County system as well as with TCDRS. The Human Resources department is the department responsible for notifications to TDCRS.*

Status of Current Year Comments, continued.

Grant Reporting

11. Observation: While inspecting performance reports for a specific grant program, we noted two instances in which written evidence of approval could not be provided. There was turnover in the approver position and it is possible the written evidence exists in the approver's inbox which is inactive.

Recommendation: We recommend management ensure performance reports indicate written evidence of approval once reviewed but prior to submission to the grantor. If emails are to be utilized to evidence approval, we recommend these be printed and maintained with the financial report for appropriate record retention purposes.

Management Response: *The Budget & Finance Grants division, will work with the departments to ensure all documentation is kept in a shared location and is properly maintained and approved prior to being submitted to the granting agency.*

County of El Paso, Texas

Schedule of Passed Adjustments
September 30, 2024

		Government Wide (Exhibit 1)		Government Wide (Exhibit 2)		Governmental Funds (Exhibit 3)		Governmental Funds (Exhibit 4)	
		Balance Sheet		Income Statement		Balance Sheet		Income Statement	
Account Description		Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
1	Taxes Revenue Net position/fund balance The time lag between sales tax and mixed beverage tax collections and distribution to the County is two months. The receivable at FYE only accounts for a 1-month lag instead of two. The prior fiscal year was recorded the same way. This passed adjustment is to pass on the net impact. The current year receivable is less than the prior year receivable.		\$ 367,969	\$ 367,969			\$ 367,969	\$ 367,969	
2	Interest Income Arbitrage Payable To pass on recording estimated arbitrage liability at government-wide level only.		\$ 1,046,540	\$ 1,046,540					
		\$ -	\$ 1,414,509	\$ 1,414,509	\$ -	\$ -	\$ 367,969	\$ 367,969	\$ -