

CITY OF EL PASO, TEXAS
AGENDA SUMMARY FORM



REVISED

4:09 pm, Jan 29, 2026

DEPARTMENT / COUNCIL OFFICE: Internal Audit

AGENDA DATE: 2/17/26

PUBLIC HEARING DATE:

CONTACT PERSON NAME: Elizabeth De La O

PHONE NUMBER: (915) 212-1371

2nd CONTACT PERSON NAME: Miguel Montiel

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DISTRICT(S) AFFECTED: All Districts

AGENDA ITEM:

Discussion and Action to accept the results of Accounts Receivable Program – 2nd Follow-Up Audit A2025-10

ISSUE STATEMENT:

City Council is asked to accept the results of the Accounts Receivable Program - 2nd Follow-Up Audit. Acceptance of the results will allow the Internal Audit Department to finalize the report and make it available to the public via the Internal Audit website.

BACKGROUND:

The timeframe for this audit was Fiscal Years 2025 and 2026. The objectives of this audit were to ensure that corrective action was taken by management to address the recommendations detailed in the original audit report titled Accounts Receivable Program Audit dated August 11, 2022.

Based on our audit work we determined the Office of the Comptroller updated the City of El Paso Accounts Receivable Policy and created a training course that addresses the following areas:

- Providing specific billing guidance to City departments.
 - Providing guidance for the collection and account management of past-due accounts.
- The following objectives remain the responsibility of each department and will be monitored through departmental audits.
- Defining which services and activities need to be recorded in the PeopleSoft Accounts Receivable Module.
 - Providing procedures on how to correctly record, invoice, and post payment for Accounts Receivable transactions in the PeopleSoft Accounts Receivable Module.
 - Recording and tracking of all billable activities in the PeopleSoft Accounts Receivable Module.
 - Delegating responsibility to departments to ensure departments are invoicing customers within 30 days from the day of service or goods provided.

COUNCIL OPTIONS:

1. Accept the results of the audit.
2. Not accept the results of the audit and provide further guidance.

COMMITTEE REVIEW AND/OR RECOMMENDATION:

This item was accepted by the Financial Oversight and Audit Committee (FOAC) on January 15, 2026.

COMMUNITY AND STAKEHOLDER OUTREACH (if applicable, as an attachment) – please include:

N/A

RELATED CITY POLICIES:

N/A

PRIOR COUNCIL ACTION:

City Council has accepted audit reports previously accepted by the FOAC.

LEGAL REVIEW:

Legal counsel reviewed as a part of Council packet

Legal counsel reviewed in advance of packet as an individual item

AMOUNT AND SOURCE OF FUNDING:

N/A

REPORTING OF CONTRIBUTION OR DONATION TO CITY COUNCIL:

N/A

NAME	AMOUNT (\$)
N/A	

ATTACHMENTS:

Audit Report Draft
Audit Report Presentation

FOR MORE INFORMATION:

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*****REQUIRED AUTHORIZATION*****

SIGNATURE:



 (If Agenda Summary Form is initiated by Purchasing, client department should sign also)



Accounts Receivable Program
- 2nd Follow-Up Audit
No. A2025-10

Issued by the
Internal Audit Department
October 30, 2025

City of El Paso
Internal Audit Department
Accounts Receivable Program – 2nd Follow-Up Audit A2025-10

EXECUTIVE SUMMARY

The Internal Audit Department conducted a 2nd Follow-Up Audit of the Accounts Receivable Program Audit Report dated August 11, 2022. The original audit report is posted on the City of El Paso’s Internal Audit webpage. The original Audit Report contained a total of three (3) findings. A 1st Follow-Up Audit of the Accounts Receivable Program Audit was conducted on July 31, 2024 and identified that all three Original Findings were still in progress of being fully implemented. Upon completion of the 2nd Follow-Up Audit, we have determined the status of the recommendations for each audit Finding as outlined in the table below:

Finding No.	Description of Original Findings	Current Status
1	<p>Our review identified seven (7) out of seven (7) departments (100%) are following their own interpretation of how Accounts Receivable <u>should be billed</u>. The <i>City of El Paso Accounts Receivable Policy</i> dated September 2020 should be updated to contain specific procedural guidance for City Departments in the following areas:</p> <ul style="list-style-type: none"> • Training requirements for staff who process Accounts Receivable transactions. • Reconciling Accounts Receivable payments posted in PeopleSoft to invoices issued. • How to correct errors for Accounts Receivable payments that are applied to an incorrect income account in PeopleSoft. • Reporting Accounts Receivable information to the Office of the Comptroller. 	Implemented
	<ul style="list-style-type: none"> • Defining which Accounts Receivable transactions need to be recorded in the PeopleSoft Accounts Receivable Module. • Steps to record, invoice, and post payments for Accounts Receivables. • Steps to set-up Accounts Receivable payment plans for rental of City facilities 	*Implemented
<p>*The Accounts Receivable Policy permits departments to develop procedures to serve their operational needs. The responsibility to implement the recommendation remains at the departmental level.</p>		
2	<p>Our review identified seven (7) out of seven (7) departments (100%) who created their own procedures for the <u>collection and account management</u> of past-due Accounts Receivable. The <i>City of El Paso Accounts Receivable Policy</i> should be updated to contain specific procedural guidance for past-due account management that address the following:</p> <ul style="list-style-type: none"> • A policy to determine whether City Departments or the Office of the Comptroller, is responsible for collecting on past-due Accounts Receivable accounts. • A process for City Departments to follow when customers have not responded to collection efforts. • A procedure to refer past-due Accounts Receivable accounts to a 3rd-party collection agency. • A process to charge customers for collection costs incurred in pursuit of past-due Accounts Receivable accounts. • A policy of restricting customers with past-due Accounts Receivable accounts from conducting future business with the City of El Paso. 	Implemented

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Finding No.	Description of Original Findings	Current Status
3	<p>Our review identified six (6) out of seven (7) departments (85.72%) are not following the <i>City of El Paso Accounts Receivable Policy</i> for recording, invoicing, posting, and reconciling billable activities:</p>	
	<p><u>Reconciliation</u> Five (5) out of seven (7) departments (71.43%) conduct monthly Accounts Receivable reconciliations. Only one (1) department provides a monthly Accounts Receivable report to OTC.</p>	Implemented
	<p><u>Posting</u> One (1) out seven (7) departments (14.29%) had a payment for a receivable posted to an incorrect account. Since the department did not receive the payment, the receivable became delinquent and was allocated to the Allowance for Doubtful Accounts.</p>	
	<p><u>Recording</u> Three (3) out of seven (7) departments (42.86%) do not consistently record and track all their billable activities in the PeopleSoft Accounts Receivable Module.</p>	*Implemented
	<p><u>Invoicing</u> Two (2) out of seven (7) departments (28.58%) are not invoicing customers within 30 days from the date of providing a service.</p>	
<p>*The Accounts Receivable Policy permits departments to develop procedures to serve their operational needs. The responsibility to implement the recommendation remains at the departmental level.</p>		

For a detailed explanation of the current observations, please refer to the appropriate Finding contained in the body of this Audit Report.

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BACKGROUND

The *Generally Accepted Government Auditing Standards* (Standard 8.30) states that auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements. The *Global Internal Audit Standards* (Standard 15.2) require that the Chief Audit Executive establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

The City of El Paso maintains a decentralized Accounts Receivable system composed of business units (which may be comprised of several departments). It is the responsibility of each business unit to record its own receivables, obtain customer information, invoice, apply its own payments, and collect on its own accounts. Each business unit will maintain their own written Procedures and must be approved by the Office of the Comptroller (OTC). OTC processes billing for business units that do not have access to the Accounts Receivable Billing Module in PeopleSoft. Decentralizing the City’s receivables ensures that the employees closest to the transaction, with the most knowledge about the services being provided, and who have quick, easy access to the billing system, will be the first point of customer contact. Although the billing systems are decentralized, the City’s Office of the Comptroller bears ultimate responsibility for ensuring that billing and collection efforts are carried out in an efficient and effective manner.

AUDIT OBJECTIVES

The objective of the follow-up process was to ensure that corrective action was taken by the Office of the Comptroller (OTC) management to address the recommendations detailed in the original Audit Report titled *Accounts Receivable Program* dated August 11, 2022.

AUDIT SCOPE

The 2nd Follow-Up Audit was limited to a review of the Findings in the Original Audit report titled *Accounts Receivable Program Audit* dated August 11, 2022. The audit period covered the operations of Fiscal Years 2025 and 2026.

AUDIT METHODOLOGY

To achieve our audit objectives, we:

- Reviewed the *City of El Paso Accounts Receivable Policy* dated November 2024.
- Reviewed Accounts Receivable Policy training provided to City personnel through EP Learners.
- Interviewed OTC’s management and staff who oversee the Accounts Receivable process.
- Verified that OTC:
 - Is providing specific billing guidance to City Departments.
 - Is providing guidance for the collection and account management of past-due accounts.
 - Is ensuring City Departments are recording, invoicing, posting, and reconciling all billable activities.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *Global Internal Audit Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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ORIGINAL FINDINGS, CRITERIA, ORIGINAL RECOMMENDATIONS, MANAGEMENT'S RESPONSES TO ORIGINAL FINDINGS, CHIEF INTERNAL AUDITOR'S RESPONSES, FIRST FOLLOW-UP OBSERVATIONS AND STATUS, CURRENT OBSERVATIONS AND STATUS

Based on the follow-up audit results, the original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

Original Finding 1 (Report dated August 11, 2022)

Comprehensive Accounts Receivable Procedures

Our review identified seven (7) out of seven (7) departments (100%) are following their own interpretation of how Accounts Receivable should be billed. City Departments have created their own Accounts Receivable procedures that do not abide by the *City of El Paso Accounts Receivable Policy*. The *City of El Paso Accounts Receivable Policy* lacks specific procedural guidance for City Departments in the following areas:

- Defining which Accounts Receivable transactions need to be recorded in the PeopleSoft Accounts Receivable Module.
- Training requirements for staff who process Accounts Receivable transactions.
- How to record, invoice, and post payments for Accounts Receivables.
- Steps to set-up Accounts Receivable payment plans for rental of City facilities.
- Reconciling Accounts Receivable payments posted in PeopleSoft to invoices issued.
- How to correct errors for Accounts Receivable payments that are applied to an incorrect income account in PeopleSoft.
- Reporting Accounts Receivable information to the Office of the Comptroller.

Standard/Criteria

City of El Paso Strategic Plan:

- Goal 6.3 *Implement programs to reduce organizational risk.*
- Goal 6.6 *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*
- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

City of El Paso Accounts Receivable Policy dated September 2020:

- Section 2.0 Purpose: *The Accounts Receivable Policy contains policies relating to the recording, management, and collection of Accounts Receivable throughout the City of El Paso ("City").*
- Section 3.0 Goals and Objectives: *Review and update goals, policies and procedures regularly to properly account for, report, manage, and collect receivables.*
- Section 6.0 Structure of Accounts Receivable System, 6.3: *Each business unit shall develop and maintain written procedures, however; each department is expected to abide by this policy.*

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A strong system of internal controls requires that Policies and Procedures be written by management to establish criteria for executing routine or repetitive activities followed by an organization. The development and use of Policies and Procedures are an integral part of a successful quality system as it provides employees with the information and guidance to perform a job properly.

Original Recommendation (Report dated August 11, 2022)

The Office of the Comptroller should update the *City of El Paso Accounts Receivable Policy* to contain specific billing procedures for City Departments. Specific guidance will assist in bringing uniformity to the Accounts Receivable practices in place at City Departments.

The manual should include the following areas:

- Define which services and activities provided to customers need to be recorded in the PeopleSoft Accounts Receivable Module.
- Provide procedures on how to correctly record, invoice, and post payments for Accounts Receivables in PeopleSoft.
- Identify procedures on how to set up payment plans for Accounts Receivable on the rental of City facilities in PeopleSoft.
- Ensure customer invoices contain clear identifying information to ensure payments are applied accurately.
- Provide procedures on how to reconcile payments posted in PeopleSoft.
- Provide procedures for departments to follow when they identify that a payment was posted to an incorrect account.
- Establish the Accounts Receivable information that must be provided to the Office of the Comptroller.

Once developed, City personnel that perform Accounts Receivable functions should be trained on the updated Accounts Receivable Policy.

Management's Response to Original Finding

Office of the Comptroller does not consider finding number one to be a finding. As per responses below, the specific points in the audit report do not demonstrate any violation of policy or any internal control breakdown. We do agree that the audit department has great recommendations for improvements and appreciate their comments.

As per audit report Finding 1: *City Departments have created their own Accounts Receivable procedures that do not abide by the City of El Paso Accounts Receivable Policy:*

- As per section 6.3 of the AR policy, It is the policy of the City that each department develops their own procedures. *“Each business unit shall develop and maintain written procedures, however; each department is expected to abide by this policy.”* With Accounts Receivable being a decentralized process across the City, the policy permits departments to develop procedures that serve their needs.
- Internal Audit identified that departments are not using PeopleSoft for all accounts receivable transactions; however, the policy does not require the use of PeopleSoft.
- Training on the basic use of PeopleSoft is not part of policy or in the scope of the services OTC provides, that is the responsibility of each employee to learn how to use the system to successfully do their job.
- Reconciliation of receivables to trial balance is done by OTC.

The *City of El Paso Accounts Receivable Policy* lacks specific procedural guidance for City Departments.

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As per the Government Finance Officers Association: “When developing policies, it is important to avoid comingling policy with procedure. Failure to do so can make the strategic intent of the policy less clear and may dilute the force of organization’s commitment to the underlying principles or goal of the policy.” Kavanagh S.C. (2012). *Financial Policies*. Chicago, IL. Government Finance Officers Association. Pg 12.

There is no authoritative guidance that we are aware of that mandate comingling of policies with procedures.

Responsible Party

Implementation Date

Chief Internal Auditor’s Response

The Chief Internal Auditor has reviewed the comments received from the Office of the Comptroller and disagrees with the comments submitted. The comment stating that Finding 1 is not a finding is not a decision for the Office of the Comptroller to make. That decision is the responsibility of the Chief Internal Auditor. In addition, the Chief Internal Auditor is concerned with the level of risks involved in managing the Accounts Receivable Program for the City of El Paso. With an Accounts Receivable balance of over \$145 Million as of August 31, 2021, it is concerning that the Office of the Comptroller would choose to disagree with the Findings and question our audit methodology.

The information contained in Finding 1 is intended to inform the Office of the Comptroller of the current situation with the 7 Departments analyzed. The 7 Departments are operating on their own interpretation of the Accounts Receivable Policy. As a result of our analysis, it was determined that City Departments need guidance and assistance on establishing their Accounts Receivable balances.

As clarification to the comments submitted by the Office of the Comptroller, we offer the following additional information:

- The Office of the Comptroller commented “As per section 6.3 of the AR policy, It is the policy of the City that each department develops their own procedures. ‘Each business unit shall develop and maintain written procedures, however; each department is expected to abide by this policy.’ With Accounts Receivable being a decentralized process across the City, the policy permits departments to develop procedures that serve their needs.”
 - Our audit identified that City Departments have created their own procedures that do not meet the requirements established by the Accounts Receivable Policy.
- The Office of the Comptroller commented “Internal Audit identified that departments are not using PeopleSoft for all accounts receivable transactions; however, the policy does not require the use of PeopleSoft.”
 - **Accounts Receivable Policy Section 2.0 Purpose** states “These policies are intended for all City staff responsible for processing customer invoices through the PeopleSoft Accounts Receivable module.” **Accounts Receivable Policy Section 12.2** state, “Adequate separation of duties must exist. That would include the establishment and the maintenance of Accounts Receivable in the PeopleSoft System....”
- The Office of the Comptroller commented “Training on the basic use of PeopleSoft is not part of policy or in the scope of the services OTC provides, that is the responsibility of each employee to learn how to use the system to successfully do their job.”
 - Our audit identified that City’s Department staff need specific training on establishing their Accounts Receivable. The Internal Audit Office is not recommending training be part of the Accounts Receivable Policy. We are recommending the Office of the Comptroller arrange training for the City Departments. There is a definite need for Accounts Receivable training.

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- The office of the Comptroller commented “Reconciliation of receivables to trial balance is done by OTC.”
 - Our Audit identified that City Departments are currently completing Accounts Receivable reconciliations and have done so in the past. City Departments are just unsure if they should forward the reconciliations to the Office of the Comptroller. **Accounts Receivable Policy Section 12.6** states “Independent parties are to reconcile the bank deposits to the general ledger activity, customer’s account, and receipts

As required by *Federal Generally Accepted Government Auditing Standard 9.52* and the *International Standards for the Professional Practice of Internal Auditing Standard 2600* which the Internal Audit Office follows, the Chief Internal Auditor has determined:

1. The Chief Internal Auditor and the Office of the Comptroller cannot come to an agreement on Finding 1.
2. The Office of the Comptroller will assume the associated risks with the Accounts Receivable Program for the City of El Paso.
3. An inquiry will be made in 6 months with the Office of the Comptroller to determine if any corrective action has occurred within the Accounts Receivable Program.

First Follow-Up Observation (Report dated July 31, 2024)

The Office of the Comptroller (OTC) is updating the *City of El Paso Accounts Receivable Policy* to ensure all billable activities are recorded and tracked in the PeopleSoft Accounts Receivable Module. City Departments remain responsible for reconciling and ensuring the accuracy of the receivables ledger and any payments posted to PeopleSoft. The OTC staff researches incorrect postings and works with the departments to correct errors. City Department Supervisors are asked to submit to OTC a quarterly reconciliation of outstanding receivables in their department. However, the OTC does not have a process or policy to receive or review Accounts Receivable reconciliations.

OTC is working with the Learning Office to deploy an on-demand training for all employees with access to the PeopleSoft Financials module. All new system users will be required to complete the training before obtaining access to the system.

Status

In Progress - The Office of the Comptroller should continue the update of the *City of El Paso Accounts Receivable Policy* to include specific billing procedures for City Departments. The *Policy* should also include procedures on how to reconcile Accounts Receivable payments posted in PeopleSoft. The updated *Policy* is set to deploy on September 1, 2024.

Current Observation

Accounts Receivable Policy

The Office of the Comptroller (OTC) has updated the *City of El Paso Accounts Receivable Policy* dated November 2024 to provide specific billing guidance for City Departments. The *Policy* was updated to address the following recommendations:

- *Ensure customer invoices contain clear identifying information to ensure payments are applied accurately.* The list of required customer information was updated and is now located in the Accounts Receivable Policy Section 7.0.

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- *Establish the Accounts Receivable information that must be provided to the Office of the Comptroller. Section 5.2 was updated to expand on what information must be provided to OTC at the end of the Fiscal Year for departments not using PeopleSoft.*

Training Program

OTC has established a new training course for the updated *Accounts Receivable Policy* dated November 2024. Training is mandatory for all staff who are responsible for processing billings or deposits through the PeopleSoft Financial Accounts Receivable module. The training is provided through the EP Learners webpage. The following guidelines are provided by OTC through the training that address the following recommendations contained in the Finding.

- *Provide procedures on how to reconcile payments posted in PeopleSoft for invoices issued by departments.*
- *Provide procedures for departments to follow when they identify that a payment was posted to an incorrect account.*

The Accounts Receivable training provided by OTC lists a set of queries that can be run to ensure that invoices/deposits are posted to the correct account. The Accounts Receivable training also mentions who to contact to make corrections to an incorrectly posted invoice/deposit.

Remaining at the departmental level

The City of El Paso's Accounts Receivable function is decentralized. Each department is to develop and maintain written procedures for accounts receivable billing that align with the Accounts Receivable Policy. Departmental Account Receivable Procedures must be submitted to OTC for approval. The responsibility for the following recommendations remains at the departmental level to decide the proper implementation based on the department's operational needs:

- *Define which services and activities provided to customers need to be recorded in the PeopleSoft Accounts Receivable Module.*
- *Identify procedures on how to set up payment plans for Accounts Receivable on the rental of City facilities in PeopleSoft.*
- *Provide procedures on how to correctly record, invoice, and post payments for Accounts Receivables in PeopleSoft.*

Status

Implemented – OTC has updated the *Accounts Receivable Policy*, established a training course, and delegated the responsibility of departments developing, maintaining, and obtaining approval of their own Accounts Receivable Procedures.

Original Finding 2 (Report dated August 11, 2022)

Procedures for Past-Due Accounts Receivable Accounts

Our review identified seven (7) out of seven (7) departments (100%) follow their own procedures for the collection and account management for past-due Accounts Receivable. The *City of El Paso Accounts Receivable Policy* lacks specific procedural guidance for past-due account management that address the following:

- A policy to assign the responsibility of collecting on past-due Accounts Receivable in situations where OTC creates an invoice on behalf of a City Department. Currently, the Policy does not address whether it is the responsibility of OTC or the City Department to collect on past-due accounts.

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- A process for City Departments to follow when customers have not responded to collection efforts.
- A procedure to refer past-due Accounts Receivable accounts to a 3rd-party collection agency. Departments do not know whether the option is available to them.
- A process to charge customers for collection costs incurred in pursuit of past-due Accounts Receivable accounts.
- A policy of restricting customers with past-due Accounts Receivable accounts from conducting future business with the City.
 - For example, the Environmental Services Department refuses access to the Greater El Paso Landfill to customers with a past-due Accounts Receivable account.

Standard/Criteria

City of El Paso Strategic Plan:

- Goal 6.3 *Implement programs to reduce organizational risk.*
- Goal 6.6 *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*
- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

City of El Paso Accounts Receivable Policy dated September 2020:

- Section 3.0 Goals and Objectives:
 - *Collect Accounts Receivables promptly in order to improve cash flow.*
 - *Review and update goals, policies and procedures regularly to properly account for, report, manage, and collect receivables.*
- Section 6.0 Structure of Accounts Receivable System, 6.4: *Collection of revenue owed to the City is a core responsibility of each business unit and shall use its best efforts to service and collect such Accounts Receivable.*
- Section 9.0 Collections on Current and Past Due Accounts:
 - 9.3 – *A City department may contract with an outside agency to assist in Default Management as defined by the City.*
 - 9.5 – *All departments are responsible for collecting on amounts invoiced and identifying staff assigned with these duties.*

A strong system of internal controls requires that Policies and Procedures be written by management to establish criteria for executing routine or repetitive activities followed by an organization. The development and use of Policies and Procedures are an integral part of a successful quality system as it provides employees with the information and guidance to perform a job properly.

Original Recommendation (Report dated August 11, 2022)

The Office of the Comptroller (OTC) should update the *City of El Paso Accounts Receivable Policy* to incorporate the following guidance for the collection and account management of past-due accounts:

- Determine which past-due Accounts Receivable accounts need to be collected by departments or by OTC.
- List collection activities to conduct on past-due Accounts Receivable accounts, such as, contacting customers and sending follow-up invoices.
- Identify procedures to refer past-due accounts to a 3rd-party collection agency.
- Identify if and how to charge collection costs incurred in pursuit of past-due Accounts Receivable accounts.
- Identify if and how to restrict customers with past-due Accounts Receivable accounts from conducting future business with the City.

Once developed, City personnel that perform Accounts Receivable functions should be trained on the updated Accounts Receivable Policy.

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Management’s Response to Original Finding

Office of the Comptroller does not consider finding number Two to be a finding. As per responses below, the specific points in the audit report do not demonstrate any violation of policy or any internal control breakdown. We do agree that the audit department has great recommendations for improvements and appreciate their comments.

Finding 2: Our review identified seven (7) out of seven (7) departments (100%) follow their own procedures for the collection and account management for past-due Accounts Receivable. The *City of El Paso Accounts Receivable Policy* lacks specific procedural guidance for past-due account management.

From the AR Policy:

6.2 Each business unit should record its own receivables, apply its own payments, and collect on its own accounts.

6.3 Each business unit shall develop and maintain written procedures, however; each department is expected to abide by this policy.

6.4 Collection of revenue owed to the City is a core responsibility of each business unit and shall use its best efforts to service and collect such Accounts Receivable.

9.5 All departments are responsible for collecting on amounts invoiced and identifying staff assigned with these duties.

There is no authoritative guidance that mandates the inclusion of the Accounts Receivable procedure within the policy.

As per the Government Finance Officers Association: “When developing policies, it is important to avoid comingling policy with procedure. Failure to do so can make the strategic intent of the policy less clear and may dilute the force of organization’s commitment to the underlying principles or goal of the policy.” Kavanagh S.C. (2012). *Financial Policies*. Chicago, IL. Government Finance Officers Association. Pg 12.

Responsible Party

Implementation Date

Chief Internal Auditor’s Response

The Chief Internal Auditor has reviewed the comments received from the Office of the Comptroller and disagrees with the comments submitted. The comment stating that Finding 2 is not a finding is not a decision for the Office of the Comptroller to make. This decision is the responsibility of the Chief Internal Auditor. In addition, the Chief Internal Auditor is concerned with the level of risks involved with the collection of the Accounts Receivable Balances for the City of El Paso. With a balance of over \$145 Million in Accounts Receivable as of August 31, 2021, it is extremely important to develop an effective collection program for the City of El Paso’s Accounts Receivable.

The situations identified in this Audit Report were not created by the current City Comptroller. The situations identified in this Audit Report is the result of many years of neglect in the area of Accounts Receivable.

During conversations with the City’s Comptroller while conducting this audit, she informed the Chief Internal Auditor her staff was working on a new Procedures Manual. Finding 2 was written with the intention of assisting the Office of the Comptroller in developing their new Procedures Manual, especially in the area of collections. Because of a lack of written Accounts Receivable Collection procedures, City Staff has to rely on the current Accounts Receivable Policy. We are unsure why no mention is made regarding this new Procedures Manual in her comments. A new Procedures Manual could have a huge impact on the collection of the City of El Paso’s Accounts Receivable.

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As required by *Federal Generally Accepted Government Auditing Standards 9.52* and the *International Standards for the Professional Practice of Internal Auditing Standard 2600* which the Internal Audit follows, the Chief Internal Auditor has determined:

1. The Chief Internal Auditor and the Office of the Comptroller cannot come to an agreement on Finding 2.
2. The Office of the Comptroller will assume the associated risks with the Accounts Receivable Program for the City of El Paso.
3. An inquiry will be made in 6 months with the Office of the Comptroller to determine if any corrective action has occurred within the Accounts Receivable Program.

First Follow-Up Observation (Report dated July 31, 2024)

The Office of the Comptroller (OTC) is in the process of updating the *City of El Paso Accounts Receivable Policy* to contain guidance for the collection and account management of past-due accounts. OTC has developed a collections flowchart and is developing a process to generate and track Collection Letters.

The OTC has been working on developing an Accounts Receivable collection process, however, the City's PeopleSoft software upgrade that occurred in March 2024 caused delays for the collection process and policy updates.

Status

In Progress - The Office of the Comptroller should continue the update the of *City of El Paso Accounts Receivable Policy* to include guidance for City Department's staff for the collection and account management of past-due accounts. The collection process is set to deploy on September 1, 2024.

Current Observation

The *City of El Paso Accounts Receivable Policy dated November 2024* has been updated to incorporate the recommended guidance for the collection and account management of past-due accounts. The following guidance has been added to the Policy:

- Section 8.4: *Once an account is past the 30-day payment grace period, a dunning letter will be issued. Dunning letters will be sent as per the following schedule: 30, 60 ,90 days after the original invoice date.*
- Section 8.5: *Dunning letters will be sent to non-governmental agency customers. Accounts receivable that are handled by a third-party collection agency or have another type of legal recourse will not receive a dunning letter.*
- Section 8.6: *OTC will generate and mail the dunning letters each month. The department who issued the invoice will have their contact information stated on the dunning letter.*
- Section 8.7: *OTC processes billings for various departments, however the department is responsible for any customer inquiries. While OTC will do its best to collect all outstanding balances in full, it will require the full cooperation and assistance from all departments issuing invoices.*
- Section 8.8: *Per Ordinance 014700, the City will assess a one-time collection fee of 21% for qualified gross accounts receivable.*
- Section 8.9: *Uncollected accounts receivable over 120 days after the original invoice date will be submitted to the City Attorney for further action.*
- Section 8.12: *The Procurement Sourcing Policy section 13.1 mandates the City to refuse to do business with a contracting entity, or any owner of 5% or more of such entity, who is indebted to the City in accordance to Ordinance 016529.*

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OTC has established a training course on the updated *Account Receivable Policy* dated November 2024, to ensure that City personnel who perform Accounts Receivable functions are familiar with the updated Policy. Training is mandatory for all staff who are responsible for processing billings or deposits through the PeopleSoft Financial Accounts Receivable module. The training is provided through the EP Learners webpage.

Status

Implemented

Original Finding 3 (Report dated August 11, 2022)

Accounts Receivable Billing Variances

Our review identified six (6) out of seven (7) departments (85.72%) are not following the *City of El Paso Accounts Receivable Policy* dated September 2020 for the recording, invoicing, posting, and reconciliation of receivables:

Recording

- Three (3) out of seven (7) departments (42.86%) do not consistently record and track all their billable activities in the PeopleSoft Accounts Receivable Module. Departments use different procedures to bill customers:

Sun Metro	Does not use Accounts Receivable Module to bill Union Depot Facility Rentals or Bus Bench Advertisements. The only record available of the transactions is when the department processes a customer payment for Union Depot Rentals or Bus Bench Advertisements.																		
Parks and Recreation Dept.	Does not record billable activities in Accounts Receivable Module or in PerfectMind Recreation Management Software. Invoices are created using Microsoft Word. The only record available of the transactions is when customer payments are processed. Department does not maintain an Accounts Receivable Aging Schedule.																		
Streets & Maintenance (SAM) Dept.	<ul style="list-style-type: none"> • Accounts Receivable Module is used for invoicing utility companies and contractors for reimbursement of expenses for street resurfacing projects, repavement, and staff overtime. • SAM requests reimbursements from citizens for damages to City property through a Demand Letter. SAM does not maintain a listing of amounts due from the mailed-out Demand Letters. • SAM has not invoiced citizens for property damages through the Accounts Receivable Module since Fiscal Year 2013, but continued to request reimbursement via Demand Letters. Currently, SAM is not billing citizens for all damages to City property via Demand Letters. As a result, revenue received from the reimbursement of damages to City property has declined by approximately \$565,218.00 since FY2014. • In FY2014, the last year property damages were invoiced, SAM received \$666,872.00 from reimbursements. In FY2021, SAM received \$101,654.00. <table border="1" style="margin-top: 10px; width: 100%;"> <thead> <tr> <th style="background-color: #4F81BD; color: white;">Fiscal Year</th> <th style="background-color: #4F81BD; color: white;">2014</th> <th style="background-color: #4F81BD; color: white;">2015</th> <th style="background-color: #4F81BD; color: white;">2016</th> <th style="background-color: #4F81BD; color: white;">2017</th> <th style="background-color: #4F81BD; color: white;">2018</th> <th style="background-color: #4F81BD; color: white;">2019</th> <th style="background-color: #4F81BD; color: white;">2020</th> <th style="background-color: #4F81BD; color: white;">2021</th> </tr> </thead> <tbody> <tr> <td>Revenue Collected</td> <td>\$ 666,872</td> <td>\$ 495,706</td> <td>\$ 393,090</td> <td>\$ 411,015</td> <td>\$ 292,837</td> <td>\$ 204,250</td> <td>\$ 107,195</td> <td>\$ 101,654</td> </tr> </tbody> </table>	Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	Revenue Collected	\$ 666,872	\$ 495,706	\$ 393,090	\$ 411,015	\$ 292,837	\$ 204,250	\$ 107,195	\$ 101,654
Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021											
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Invoicing

- Two (2) out of seven (7) departments (28.58%) are not invoicing customers within 30 days from the date of service as required by *City of El Paso Accounts Receivable Policy*:

Streets & Maintenance (SAM) Dept.	Eight (8) out of nine (9) invoices (88.9%) reviewed were not invoiced within 30 days. Invoices were sent out 33 to 281 days after date of service.
Office of the Comptroller (OTC)	Three (3) out of nine (9) invoices (33.34%) reviewed were not invoiced within 30 days. Invoices were sent out 44 to 883 after the date of service. These invoices were created by OTC on behalf of City Departments. The Departments did not request the invoice to be created within 30 days.

Posting

- One (1) out seven (7) departments (14.29%) had a payment for a receivable posted to an incorrect account. A lease payment from Texas Tech in the amount of \$3,407.53 was incorrectly posted to a Fire Department Income Account instead of Sun Metro’s Accounts Receivable Account. Since Sun Metro did not receive the payment, the receivable became delinquent and was allocated to the Allowance for Doubtful Accounts.

Reconciliation

- Five (5) out of seven (7) departments (71.43%) reviewed (OTC, El Paso Zoo, Parks & Recreation, Environmental Services, Sun Metro) conduct monthly Accounts Receivable reconciliations. Environmental Services is the only department that provides a monthly Accounts Receivable report to OTC.

Standard/Criteria

City of El Paso Strategic Plan:

- Goal 6.3 *Implement programs to reduce organizational risk.*
- Goal 6.6 *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*
- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

City of El Paso Accounts Receivable Policy dated September 2020:

- Section 3.0 Goals and Objectives:
 - *Maintain a current and active customer database to ensure invoices and notices are addressed to the appropriate responsible party.*
 - *Ensure all billings for services and other billable activities are recorded and tracked for financial reporting purposes.*
 - *Reconcile on a monthly basis the Accounts Receivable Subsidiary Ledger to the General Ledger.*
- Section 7.2 Origination of an Accounts Receivable:
 - d. *All invoices generated must be in the mail to the customer within 30 days of the date of service.*
- Section 9.6 General Policy:
 - d. *The Comptroller will receive the Accounts Receivable report once a month.*
 - e. *Office of the Comptroller will follow up with the business units to inquire about the status of outstanding bills on the aging report over 60.*

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Original Recommendation (Report dated August 11, 2022)

The Office of the Comptroller should ensure all City Departments:

- Record and track all billable activities in the PeopleSoft Accounts Receivable Module.
- Invoice customers within 30 days of the date of service or submit a request for OTC to invoice on behalf of the department within 30 days.
- Inform OTC when a payment is posted to an incorrect account. So, corrections can be made to apply the payment to the correct account.
- Conduct monthly Accounts Receivable reconciliations and submit them to OTC for review.

Management's Response

Office of the Comptroller does not consider finding number Three to be a finding. As per responses below, the specific points in the audit report do not demonstrate any violation of policy or any internal control breakdown. We do agree that the audit department has great recommendations for improvements and appreciate their comments.

Our review identified six (6) out of seven (7) departments (85.72%) are not following the *City of El Paso Accounts Receivable Policy* dated September 2020 for the recording, invoicing, posting, and reconciliation of receivables:

Recording

Three (3) out of seven (7) departments (42.86%) do not consistently record and track all their billable activities in the PeopleSoft Accounts Receivable Module. Departments use different procedures to bill customers.

1. The policy does not identify PeopleSoft as the only mandated option to track billable activities. Office of the Comptroller requested the Internal Audit department to identify where in the policy it specifies that all billing of accounts receivable must occur in PeopleSoft and the response received did not answer the question. Section 2 and 3 of the policy were referenced in the response but again, in none of those sections the policy establishes that customers invoices are to be billed through PeopleSoft only. Please see question 3a in the Comptroller's Request for Information attached.
2. Office of the Comptroller requested the Internal Audit Department to identify where in the policy procedures have been specified and that the procedures must be similar or identical. Internal audit response did not identify this requirement in the policy. Please see question 3b in the Comptroller's Request for Information attached.
3. As per Audit Report pg 12: "Currently, SAM is not billing citizens for all damages to City property via Demand Letters. As a result, revenue received from the reimbursement of damages to City property has declined by approximately \$565,218.00 since FY2014." Office of the Comptroller has requested Internal Audit to provide a list of damages that were not billed during FY14 and FY21 to help us understand this decline in revenue. According to the response attached in 3.c. SAM does not have a list of amounts due which indicates that the decline in revenue being caused by not billing through the AR module is an assumption and not a fact.

Invoicing

Two (2) out of seven (7) departments (28.58%) are not invoicing customers within 30 days from the date of service as required by *City of El Paso Accounts Receivable Policy*.

Office of the Comptroller requested Internal Audit to provide a list of all invoices not prepared within 30 days and the reasons provided by the department to justify the delay. According to the response, a total of 54 invoices were selected for review and only 9 invoices were selected from six departments aging schedules. The City processes over 10,000 billings annually. A sample test of 54 invoices equates to **less than 1%** and hence it is not representative of the population. Also, Internal Audit responded that the invoices were judgmentally selected and not randomly selected. Internal Audit did not respond to the request to provide Office of the Comptroller the total number of invoices for the time period audited, and whether or not the sample size was extended based on the findings. See attached.

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Posting

- One (1) out seven (7) departments (14.29%) had a payment for a receivable posted to an incorrect account. A lease payment from Texas Tech in the amount of \$3,407.53 was incorrectly posted to a Fire Department Income Account instead of Sun Metro’s Accounts Receivable Account. Since Sun Metro did not receive the payment, the receivable became delinquent and was allocated to the Allowance for Doubtful Accounts.

Office of the Comptroller requested Internal Audit to provide a list of all payments that were found posted incorrectly. As per Internal Audit department **only one payment** was posted incorrectly. See response attached.

Reconciliation

- Five (5) out of seven (7) departments (71.43%) reviewed (OTC, El Paso Zoo, Parks & Recreation, Environmental Services, Sun Metro) conduct monthly Accounts Receivable reconciliations. Environmental Services is the only department that provides a monthly Accounts Receivable report to OTC.
- The policy does not specify that departments are mandated to submit reconciliations to OTC in a monthly basis. Per section 12.6 of the AR policy “Independent parties are to reconcile the bank deposits to the general ledger activity, customer's account, and receipts.”pg. 10. This alludes to an internal control of not having the same person that created the billing, record the deposit and/or reconcile accounts receivable. There is an objective to have a monthly reconciliation of AR subsidiary ledger to general ledger which is currently being done by OTC.

Responsible Party

Implementation Date

Chief Internal Auditor’s Response

The Chief Internal Auditor has reviewed the comments received from the Office of the Comptroller and disagrees with the comments submitted. The comment stating that Finding 3 is not a finding is not a decision for the Office of the Comptroller to make. This decision is the responsibility of the Chief Internal Auditor. In addition, the Chief Internal Auditor is concerned with the level of risks involved with the management of the Accounts Receivable Balances for the City of El Paso. With a balance of over \$145 Million in Accounts Receivable as of August 31, 2021, it is extremely important to develop a strong management program for the City of El Paso’s Accounts Receivable.

The information presented in Finding 3 is intended to demonstrate to the Office of the Comptroller specific examples of issues identified during the audit. City Departments are using their own interpretation of the Accounts Receivable Policy to manage their Accounts Receivable. This interpretation has caused different procedures to be practiced by the 7 City Department analyzed.

Because of a lack of written procedures, City Departments have to rely on the current Accounts Receivable Policy for direction. As mentioned in the Chief Internal Auditor’s Response in Finding 2, we are unsure why the City Comptroller has made no mention of her current project to create a new Accounts Receivable Procedures Manual. This new Procedure Manual would be of great assistance to the City Departments handling Accounts Receivables.

The Chief Internal Auditor is concerned with the comments submitted by the Office of the Comptroller regarding the Audit Methodology used in the completion of this audit. The Audit Methodology used in the completion of this audit are nationally recognized auditing techniques. It is unclear to the Chief Internal Auditor why the Office of the Comptroller would question the Audit Methodology.

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As required by *Federal Generally Accepted Government Auditing Standard 9.52* and the *International Standards for the Professional Practice of Internal Auditing Standard 2600* which the Internal Audit Office follows, the Chief Internal Auditor has determined:

1. The Chief Internal Auditor and the Office of the Comptroller cannot come to an agreement on Finding 3.
2. The Office of the Comptroller will assume the associated risks with the Accounts Receivable Program for the City of El Paso.
3. An inquiry will be made in 6 months with the Office of the Comptroller to determine if any corrective action has occurred.

First Follow-Up Observation (Report dated July 31, 2024)

The Office of the Comptroller (OTC) has asked City Departments to use OTC’s “Month End Closing Checklist-Dept” to ensure that City Departments complete the following items each month:

- record all deposits,
- approve Accounts Receivable invoices within 30 days of the date of service,
- post Accounts Receivable payments,
- reconcile the Accounts Receivable account and inform OTC when a payment has been posted to the incorrect account, and
- submit quarterly reconciliations of outstanding receivables.

The OTC requested the Streets and Maintenance Department to use the PeopleSoft Accounts Receivable Module to record all receivables. The rest of the City Departments requesting an invoice to record a receivable are required to use the “Invoice/Credit Memo Request” form.

Status

In Progress - The Office of the Comptroller should continue to ensure all City Departments record and track all billable activities, invoice customers within 30 days of the date of service, inform OTC when a payment is posted to an incorrect account so it can be corrected and conduct monthly Accounts Receivable reconciliations.

Current Observation

Accounts Receivable Policy

The Office of the Comptroller (OTC) has updated the *Accounts Receivable Policy* and created a training course for the updated Policy to address the following recommendations:

- *Inform OTC when a payment is posted to an incorrect account. So, corrections can be made to apply the payment to the correct account.* OTC has established a new training course for the updated Accounts Receivable Policy dated November 2024. The training helps staff identify incorrect deposits and who to contact to make corrections. Training is mandatory for all staff who are responsible for processing billings or deposits through the PeopleSoft Financial Accounts Receivable module. The training is provided through the EP Learners webpage.
- *Conduct monthly Accounts Receivable reconciliations and submit them to OTC for review.* Section 8.2 states that OTC will reconcile the Accounts Receivable general ledger account to the aging report monthly. Upon identification of errors or discrepancies, the business unit will be notified to address and correct the error.

Remaining at the department level

The City of El Paso’s Accounts Receivable function is decentralized. Each department is to develop and maintain written procedures for accounts receivable billing that align with the Accounts Receivable Policy. Departmental Account Receivable Procedures must be submitted to OTC for approval. The responsibility for the following

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recommendations remains at the departmental level to decide the proper implementation based on the department's operational needs:

- *Record and track all billable activities in the PeopleSoft Accounts Receivable Module.* Due to a decentralized Accounts Receivable function, OTC has no way of certifying that all departments are billing for every billable activity. In addition, the Policy allows departments to maintain separate billing software that is not PeopleSoft Financials. Section 5.2 establishes guidelines for the accrual of Accounts Receivable balances maintained outside of PeopleSoft Financial and delegates the responsibility to departments to record, maintain, and report those outside balances.
- *Invoice customers within 30 days of the date of service or submit a request for OTC to invoice on behalf of the department within 30 days.* Section 6.6 states that invoices need to be mailed or emailed within 30 days of service or goods provided. However, due to a decentralized Accounts Receivable function, OTC cannot certify that all departments are sending invoices within 30 days from the day of service or goods provided. OTC delegates the responsibility to the departments to ensure invoices are sent within 30 days of service or goods provided.

Status

Implemented – OTC has updated the *Accounts Receivable Policy*, established a training course, and delegated the responsibility of departments developing and maintaining their own procedures to track billable activities and invoice customers within 30 calendar days of service or goods provided.

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INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our audit work on the objectives of the Accounts Receivable Program 2nd Follow-Up Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the observations and conclusions. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude whether the Office of the Comptroller met the objectives of this Follow-Up Audit. Based on our audit work, we have determined that:

1. The Office of the Comptroller met the audit objectives in the following areas:
 - Providing specific billing guidance to City departments.
 - Providing guidance for the collection and account management of past-due accounts.
 - Establishing a training course for the updated *City of El Paso Accounts Receivable Policy* dated November 2024.
2. The Office of the Comptroller has delegated the following objectives to remain the responsibility of each department:
 - Defining which services and activities need to be recorded in the PeopleSoft Accounts Receivable Module.
 - Providing procedures on how to correctly record, invoice, and post payment for Accounts Receivable in the PeopleSoft Accounts Receivable Module.
 - Recording and tracking of all billable activities in the PeopleSoft Accounts Receivable Module.
 - Delegating responsibility to departments to ensure departments are invoicing customers within 30 days from the day of service or goods provided.

The Internal Audit Department determined that the Office of the Comptroller is actively monitoring the City's Accounts Receivable balances and continues to make efforts to reduce the balances. We wish to thank the Office of the Comptroller management and staff for their assistance and courtesies extended during the completion of this Follow-Up Audit.

Elizabeth De La O, CFE, CIA, CGAP, MPA
Deputy Chief Internal Auditor

Christian Castro, CIA, MAcc
Auditor II

Miguel Montiel, CIA, CGAP
Audit Manager

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