



AGENDA FOR THE FINANCIAL OVERSIGHT AND AUDIT COMMITTEE

January 15, 2026

**COUNCIL CHAMBERS, CITY HALL, 300 N. CAMPBELL - FIRST FLOOR
12:30 PM**

Notice is hereby given that a meeting of the Financial Oversight and Audit Committee (FOAC) will be conducted on the above date and time.

Members of the public may view the meeting via the following means:

Via the City's website. <http://www.elpasotexas.gov/videos>

Via television on City15,

YouTube: <https://www.youtube.com/user/cityofelpasotx/videos>

In compliance with the requirement that the City provide two-way communication for members of the public, members of the public may communicate with the Financial Oversight and Audit Committee during public comment, and regarding agenda items by calling the following number:

1-915-213-4096 or Toll Free Number: 1-833-664-9267

At the prompt please enter the corresponding Conference ID: 960-771-392#

If you wish to sign up to speak please contact Miguel Montiel at MontielMA@elpasotexas.gov no later than two (2) hours prior to the meeting date and time. Please provide your name, phone number, email address and the agenda item(s) you wish to speak on.

A quorum of the Financial Oversight and Audit Committee must be present and participate in the meeting.

ROLL CALL

PLEDGE OF ALLEGIANCE

AGENDA

1.	Approval of Minutes for the Financial Oversight and Audit Committee meeting of December 11, 2025. [Internal Audit, Elizabeth De La O, (915) 212-1371]	<u>BC-1575</u>
2.	Presentation on Project Financing Zones, Texas Tax Code 351.1015. [City Manager's Office, Robert Cortinas, (915) 212-1067]	<u>BC-1595</u>
3.	Discussion on FY 2025-2026 Audit Plan 1st Quarter Updates. [Internal Audit, Miguel Montiel, (915) 212-1367]	<u>BC-1576</u>
4.	Discussion and Action on the results of the Accounts Receivable Program - 2nd Follow-Up Audit A2025-10. [Internal Audit, Elizabeth De La O, (915) 212-1371]	<u>BC-1577</u>

ADJOURN

NOTICE TO THE PUBLIC

This is a meeting of the Financial Oversight and Audit Committee of the El Paso City Council. The committee ordinarily consists of 4 Council members for purposes of establishing a quorum and the voting membership on the committee. However, any other member of the City Council may, on an ad hoc basis, join the meeting and participate in the discussions.

Sign language interpreters will be provided for this meeting upon request. Requests must be made to Miguel Montiel at MontielMA@elpasotexas.gov a minimum of 48 hours prior to the date and time of this hearing.

If you need Spanish Translation Services, please email MontielMA@elpasotexas.gov at least 48 hours in advance of the meeting.

Posted this 8th day of January, 2026 at 2:43 p.m., at City Hall, 300 N. Campbell Street by Sergio Carrillo.



El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

File #: BC-1575, **Version:** 1

CITY OF EL PASO, TEXAS **LEGISTAR AGENDA ITEM SUMMARY FORM**

AGENDA LANGUAGE:

This is the language that will be posted to the agenda. Please use ARIAL 11 Font.

Approval of Minutes for the Financial Oversight and Audit Committee meeting of December 11, 2025. [Internal Audit, Elizabeth De La O, (915) 212-1371]



FINANCIAL OVERSIGHT AND AUDIT COMMITTEE MINUTES
December 11, 2025
COUNCIL CHAMBERS, CITY HALL
2:00 PM

The Financial and Oversight and Audit Committee members of the City of El Paso met at the above place and date. Meeting was called to order at 2:02 p.m. Committee Chair Dr. Josh Acevedo was present and presiding and the following Committee Members answered roll call: Dr. Josh Acevedo, Alejandra Chávez, Deanna Maldonado-Rocha, Ivan Niño, Elizabeth De La O – Deputy Chief Internal Auditor, and Dionne Mack – City Manager.

PLEDGE OF ALLEGIANCE

AGENDA

1. Motion made by Committee member Chávez, seconded by Committee member Niño, and unanimously carried to **APPROVE** the Minutes for the Financial Oversight and Audit Committee meeting of November 14, 2025.

AYES: Committee Members Acevedo, Chávez, Maldonado-Rocha and Niño
NAYS: None

2. **Discussion and Action on the results of the Animal Services – Westside Adoption Center Construction Audit A2025-08.**

Technical difficulties arose, and a five-minute recess was called at 2:05 p.m.

Motion made by Committee member Niño, seconded by Committee member Chávez, and unanimously carried to **RECESS** the meeting.

The technical difficulties were resolved and the meeting reconvened at 2:11 p.m.

Motion made by Committee member Maldonado-Rocha, seconded by Committee member Niño, and unanimously carried to **RECONVENE** the meeting.

AYES: Committee Members Acevedo, Chávez, Maldonado-Rocha and Niño
NAYS: None

Ms. Elizabeth De La O – Deputy Chief Internal Auditor, delivered a PowerPoint presentation.

The following members of the FOAC commented:

- Dr. Josh Acevedo, Committee Chair.

The following City staff member commented:

- Gilbert Guerrero – Interim Director, Capital Improvement Department

Motion made by Committee member Chávez, seconded by Committee member Niño, and unanimously carried to **ACCEPT** the results of the Animal Services – Westside Adoption Center Construction Audit A2025-08 and send to City Council for action.

AYES: Committee Members Acevedo, Chávez, Maldonado-Rocha and Niño
NAYS: None

3. Discussion and Action on the results of the El Paso Zoo – Financial Activity Audit A2025-09.

Mr. Miguel Ortega – Auditor III, delivered a PowerPoint presentation.

The following members of the FOAC commented:

- Dr. Josh Acevedo, Committee Chair.
- Ms. Alejandra Chávez, Committee Member.
- Ms. Deanna Maldonado-Rocha, Committee Member.
- Mr. Ivan Niño, Committee Member.
- Ms. Dionne Mack, City Manager.

The following City staff members commented:

- Mr. Gary Lunsford – Interim Zoo Director.
- Ms. Margarita Marin – Deputy Chief Financial Officer/Comptroller.

Motion made by Committee Member Maldonado-Rocha, seconded by Committee Member Niño, and unanimously carried to **ACCEPT** the results of the El Paso Zoo – Financial Activity Audit A2025-09 and send to City Council for action.

AYES: Committee Members Acevedo, Chávez, Maldonado-Rocha and Niño
NAYS: None

4. Discussion and Action on the results of the Planning & Inspections – Permit Review Follow-Up Audit A2026-01.

Mr. Miguel Montiel – Audit Manager, delivered a PowerPoint presentation.

The following members of the FOAC commented:

- Dr. Josh Acevedo, Committee Chair.
- Mr. Ivan Niño, Committee Member.

The following City staff member commented:

- Mr. Daniel Chavira – Building & Permitting Development Program Manager.

Motion made by Committee Member Chávez, seconded by Committee Member Niño, and unanimously carried to **ACCEPT** the results of the Planning & Inspections – Permit Review Follow-Up Audit A2026-01 and send to City Council for action.

AYES: Committee Members Acevedo, Chávez, Maldonado-Rocha and Niño

NAYS: None

5. Discussion and Action on the 2026 Financial Oversight and Audit Committee Meeting Calendar.

Dr. Josh Acevedo – Committee Chairman, presented a proposed meeting calendar for 2026.

The following members of the FOAC commented:

- Dr. Josh Acevedo, Committee Chair.
- Ms. Alejandra Chávez, Committee Member.
- Ms. Deanna Maldonado-Rocha, Committee Member.
- Mr. Ivan Niño, Committee Member.

Motion made by Committee Member Chávez, seconded by Committee Member Niño, and unanimously carried to **ACCEPT** the meeting calendar with the requested revision to change the meeting start time from 2:00 p.m. to 12:30 p.m.

AYES: Committee Members Acevedo, Chávez, Maldonado-Rocha and Niño

NAYS: None

ADJOURN

Motion made by Committee Member Niño, seconded by Committee Chair Acevedo and unanimously carried to **ADJOURN** the meeting at 3:11 p.m.

AYES: Committee Members Acevedo, Chávez, Maldonado-Rocha and Niño

NAYS: None

APPROVED AS TO CONTENT:

Dr. Josh Acevedo – Committee Chair,
Financial Oversight and Audit Committee

Elizabeth De La O – Deputy Chief Internal Auditor,
Internal Audit Department



El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

File #: BC-1595, Version: 1

CITY OF EL PASO, TEXAS LEGISTAR AGENDA ITEM SUMMARY FORM

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Presentation on Project Financing Zones, Texas Tax Code 351.1015. [City Manager's Office, Robert Cortinas, (915) 212-1067]

BACKUP COMING SOON



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Legislation Text

File #: BC-1576, Version: 1

CITY OF EL PASO, TEXAS LEGISTAR AGENDA ITEM SUMMARY FORM

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Discussion on FY 2025-2026 Audit Plan 1st Quarter Updates. [Internal Audit, Miguel Montiel, (915) 212-1367]



Internal Audit Department 1st Quarter Update

September 1, 2025 to November 30, 2025

Reporting Statement

According to Domain III & IV of the *Global Internal Audit Standards*, Principle 8 - Standard 8.1 and Principle 9 - Standard 9.4 as issued by the Institute of Internal Auditors, the Chief Internal Auditor must report periodically to the Financial Oversight and Audit Committee and Senior Management on the internal audit activity's purpose, authority, responsibility, and performance relative to its Audit Plan.

We conduct audits in accordance with both *Generally Accepted Government Auditing Standards* and the *Global Internal Audit Standards*.

Independence Statement

As required by the *Global Internal Audit Standards*, Standard 7.1, the City of El Paso's Internal Audit Department continues to maintain its independence. Per the City Charter amended May 6, 2023, the Chief Internal Auditor reports operationally to the Chairman of the Financial Oversight and Audit Committee (FOAC) and legislatively to the FOAC. The FOAC reviews and recommends for approval by City Council the Internal Audit Charter and annual risk-based Audit Plan. The FOAC also receives quarterly updates to the Annual Audit Plan from the Chief Internal Auditor. The City Manager shall be responsible for the implementation of any audit recommendations for changes to City administrative procedures and operations as requested by City Council.

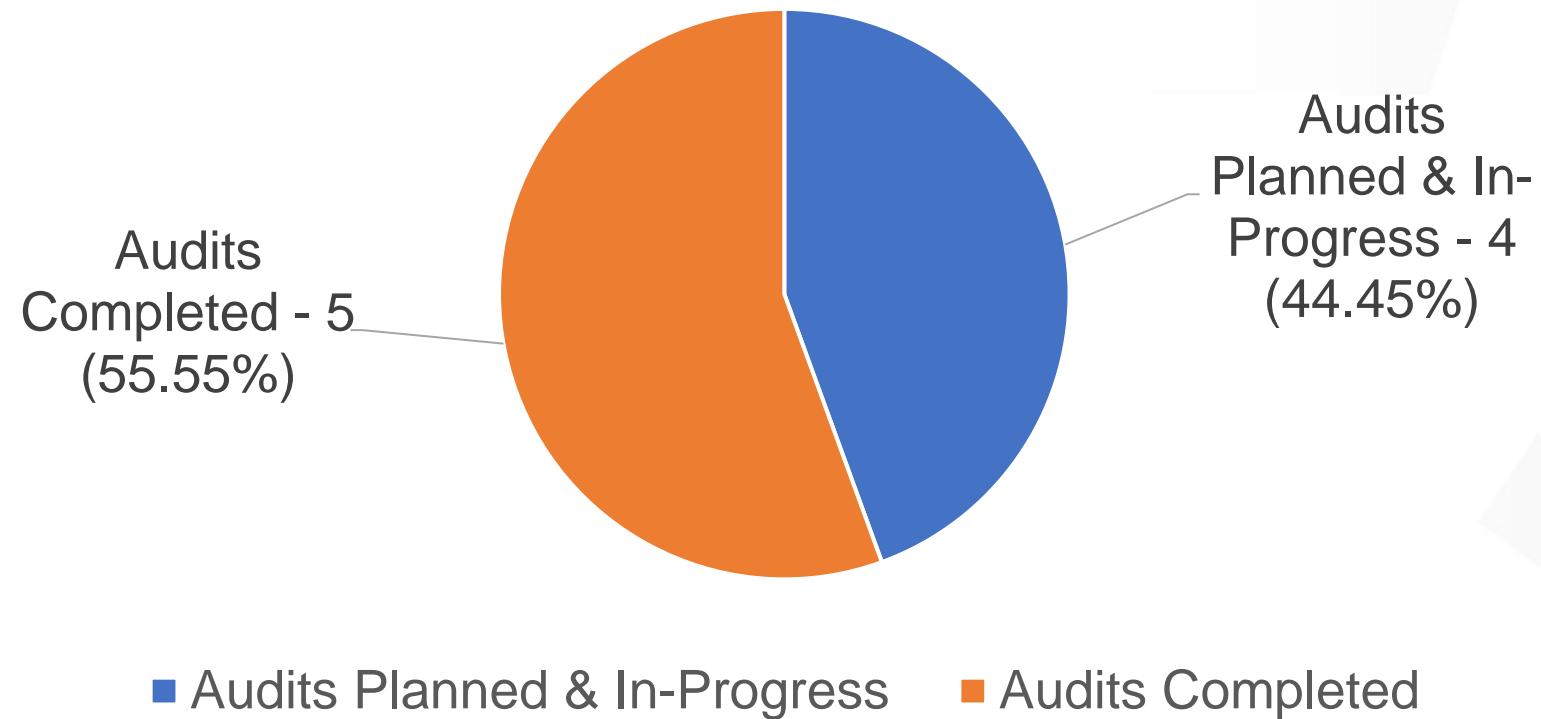
Overview of FY 2025-2026 Audit Plan

September 1, 2025 to November 30, 2025

Audit Status	Audits
a. Number of Audits Completed	5
b. Number of Audits Planned & In-Progress	4
c. Total Number of Audits	9

FY 2025-2026 Audit Plan Completion

September 1, 2025 to November 30, 2025



Audit Code	Audit Name	Status
A2025-08	Animal Services – Westside Adoption Center Construction Audit	Complete
A2025-09	El Paso Zoo – Financial Activity Audit	Complete
A2025-10	Accounts Receivable Program – 2 nd Follow-Up Audit	Complete
A2026-01	Planning & Inspections – Permit Review Follow-Up Audit	Complete
N/A	Tax Office Refunds Reviews	Complete
A2025-05	Code Enforcement Division Audit	In-Progress
A2026-07	Environmental Services – P-Card and Travel Audit	In-Progress
CoSourced	Police Department – Cyber Security Assessment	In-Progress
N/A	Red Book – Internal Self Assessment	In-Progress

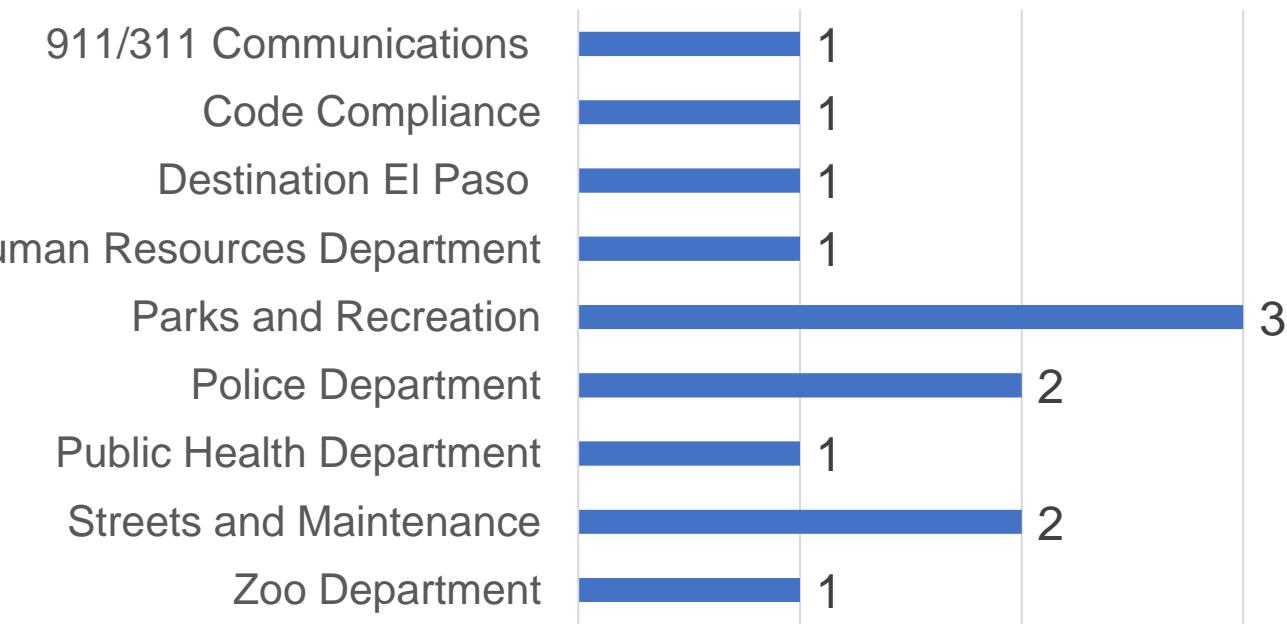
2025-2026 Audits

**September 1, 2025 to
November 30, 2025**

City of El Paso – Employee Hotline

September 1, 2025 to November 30, 2025

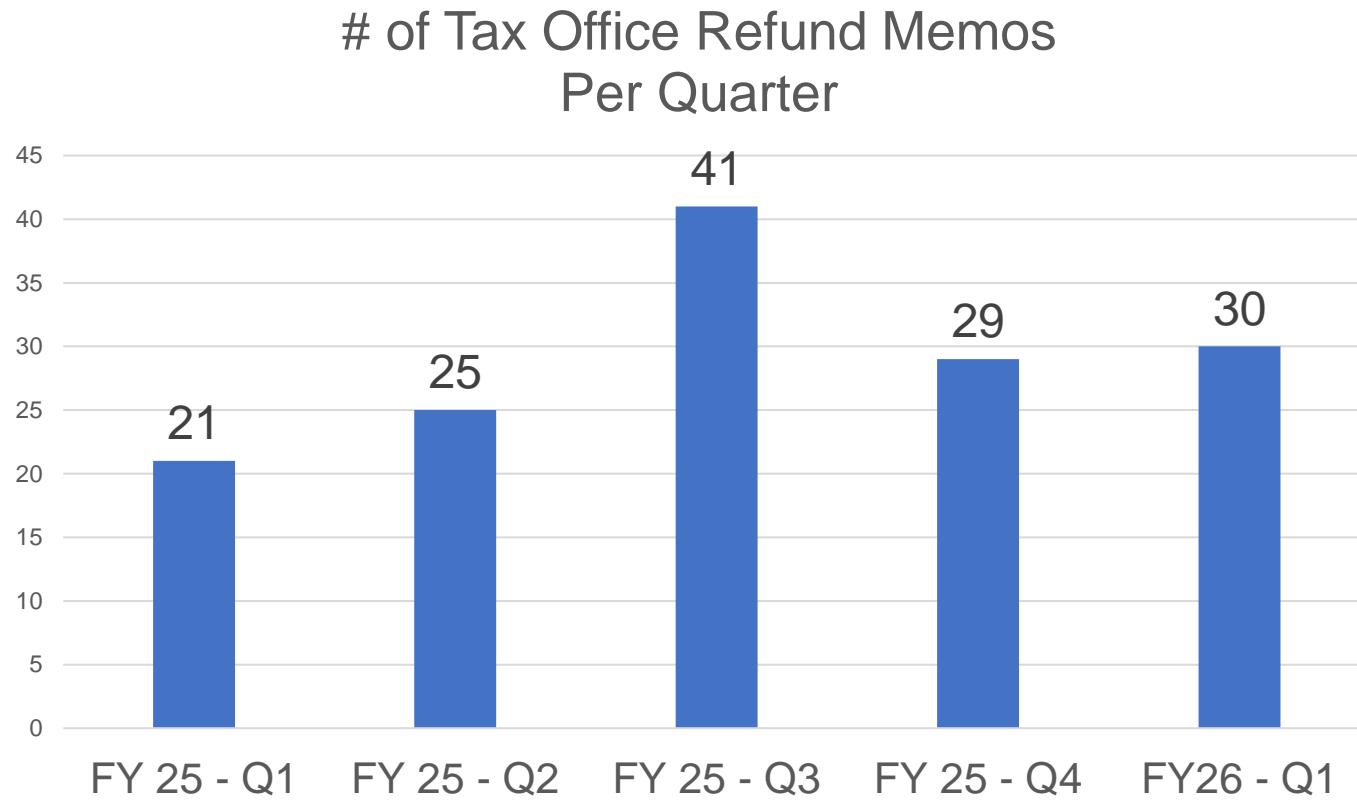
FY 2025-2026 Q1 Hotline Incident Reports
by Department



- Total of 13 Hotline Incidents Reports
- 4 remained open as of November 30, 2025

Tax Office Refund Review Project

September 1, 2025 – November 30, 2025



Conducted 30 Tax Office Refund Reviews during the 1st Quarter.

Client Surveys

September 1, 2025 to November 30, 2025

Audit Name	Survey Opened	Survey Closed	# Surveys Sent Out	# Surveys Completed	% Surveys Completed	Avg. Rating
El Paso Zoo – Financial Activity Audit A2025-09	10/8/2025	10/22/2025	3	2	67%	3.5
Planning & Inspections – Permit Review Follow-Up Audit A2026-01	11/19/25	12/4/25	3	1	33%	4.0
Animal Services – Westside Adoption Center Construction Audit A2025-08	11/20/25	12/9/25	3	2	67%	3.77

Q & A



**2025-2026
Annual Audit Plan
1st Quarter Update**

DRAFT

Issued by the
Internal Audit Department
As of November 30, 2025

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
1st Quarter 2025-2026 Audit Plan Update
As of November 30, 2025

INTRODUCTION

According to Domain III & IV of the *Global Internal Audit Standards*, Principle 8 - Standard 8.1 and Principle 9 - Standard 9.4 as issued by the Institute of Internal Auditors, the Chief Internal Auditor must report periodically to the Financial Oversight and Audit Committee and Senior Management on the internal audit activity's purpose, authority, responsibility, and performance relative to its Audit Plan. The Chief Internal Auditor is also responsible for reporting significant risk exposures, control issues, fraud risks, governance issues, and other matters needed or requested by the Financial Oversight and Audit Committee and Senior Management.

In addition, by periodically reporting to the Financial Oversight and Audit Committee and Senior Management, the Internal Audit Department helps support the City of El Paso's *Strategic Plan* Goals 6.6 and 6.8;

- Goal 6.6: *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*
- Goal 6.8: *Support transparent and inclusive government.*

The Chief Internal Auditor is also responsible to communicate the internal audit activity's plans and resource requirements, including significant interim changes, to the Financial Oversight and Audit Committee for review and approval. The Chief Internal Auditor must also communicate the impact of any resource limitations.

Based on this requirement, this Annual Audit Plan Update is being provided to the Financial Oversight and Audit Committee. The Chief Internal Auditor will provide an update on the following three critical areas required in the management of an internal audit activity. The three critical areas are:

1. Pending Audits and Projects
2. Miscellaneous Items affecting the Internal Audit Department's Activity
3. Annual Audit Plan Update

As required by the *Global Internal Audit Standards*, Standard 7.1, the City of El Paso's Internal Audit Department continues to maintain its independence. Per the City Charter amended May 6, 2023, the Chief Internal Auditor reports operationally to the Chairman of the Financial Oversight and Audit Committee (FOAC) and legislatively to the FOAC. The FOAC reviews and recommends for approval by City Council the Internal Audit Charter and annual risk-based Audit Plan. The FOAC also receives quarterly updates to the Annual Audit Plan from the Chief Internal Auditor. The City Manager shall be responsible for the implementation of any audit recommendations for changes to City administrative procedures and operations as requested by City Council. Standard 8.3 requires the Internal Audit Department ensure conformance with the *Global Internal Audit Standards*, to include the Ethics and Professionalism Domain II. The Ethics and Professionalism Domain Principles includes Integrity, Objectivity, Confidentiality, Competency, and Due Professional Care. Any non-conformance will be reported.

We conduct audits in accordance with both *Generally Accepted Government Auditing Standards* and the *Global Internal Audit Standards*.

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
1st Quarter 2025-2026 Audit Plan Update
As of November 30, 2025

PENDING AUDITS & PROJECTS

This section will provide the Financial Oversight and Audit Committee and the City Manager a short synopsis of the pending Audits and Projects currently being completed by the staff of the Internal Audit Department as of the end of the 1st Quarter. A brief synopsis is provided on the scope and objective of the Audit or Project.

1. El Paso Zoo – Financial Activity Audit

The objectives of this Audit are to perform a review of the El Paso Zoo's financial activity to ensure proper accounting and reporting. The audit will concentrate on the following areas:

- Ticket Sales,
- Zoo Memberships,
- Zoo Sponsorships,
- Zoo Fundraising Events,
- Identify discrepancies and document any areas where inefficiencies can be strengthened.

2. Animal Services – Westside Adoption Center Construction Audit

The objectives of the Audit are to review construction costs and processes used by the Capital Improvement Department to renovate Morehead Middle School to the new “Animal Services – Westside Adoption Center”. The construction audit will focus on Phase I and include a review of the following areas:

- Compliance with Capital Improvement Department Policies and Procedures,
- Construction Expenditures, Change Orders, and Inspections,
- Proper approvals and supporting documentation.

3. Planning and Inspections – Permit Review Follow-Up Audit

The objective of this Follow-Up Audit is to determine whether the finding and recommendation identified in the original Audit Report dated October 22, 2024 have been adequately addressed. Specifically, the following items:

- Updating the Plan Review Division's Policies and Procedures to reflect current practices.
- Adding comprehensive Policies and Procedures on how to manage the following areas:
 - Roles and responsibilities for staff in charge of issuing Permits.
 - Required documents/information to be included in each Permit Application.
 - Review and approval process before issuing a Permit.
 - Permits requested online via the Citizen Access Portal.

4. Accounts Receivable Program – 2nd Follow-Up Audit

The objectives of this Follow-Up Audit are to determine whether the findings and recommendations identified in the original Audit Report dated August 11, 2022 have been adequately addressed. Specifically, the following three items:

- Updating the Accounts Receivable Manual to address specific billing procedures for City Departments.

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
1st Quarter 2025-2026 Audit Plan Update
As of November 30, 2025

- Updating the Accounts Receivable Manual to address the collection and account management of past-due accounts.
- Ensuring that all City Departments are:
 - Recording and tracking all billable activities in the PeopleSoft Accounts Receivable Module.
 - Invoicing customers within 30 days of date of service or submit a request for the Office of the Comptroller (OTC) to invoice on behalf of the department within 30 days.
 - Informing OTC when a payment is posted to an incorrect account.
 - Conducting monthly Accounts Receivable reconciliations and submit them to OTC for review.

5. Police Department – Cyber Security Assessment

The objectives of the Assessment are to determine if City-owned applications managed by the Police Department meet National Institute of Standards and Technology (NIST) cyber security standards. The NIST cyber security standards help organizations manage and reduce cyber security risks.

6. Code Enforcement Division Audit

The objective of the Code Enforcement Division Audit is to perform an assessment of enforcement efforts for nuisance cases. To achieve the audit objectives, the Internal Audit Department will:

- Identify and review the top five (5) types of violations and associated data.
- Review and determine if established enforcement processes are in accordance with City Ordinances.
- Evaluate whether imposed penalties and costs are in accordance with established fees and/or fines.
- Identify and document education and outreach efforts.
- Evaluate budget for staffing levels of the Code Enforcement Division.

7. Environmental Services – P-Card and Travel Audit

The objectives of the Environmental Services P-Card and Travel Audit are to select a sample of P-Card transactions and Travel Requests to:

- Evaluate the adequacy of controls in effect over P-Card transactions and Travel Requests, and
- Determine whether P-Card transactions and Travel Requests comply with the City of El Paso's Policies and Procedures.

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
1st Quarter 2025-2026 Audit Plan Update
As of November 30, 2025

FINANCIAL OVERSIGHT AND AUDIT COMMITTEE (“FOAC”)

1. The FOAC met on September 11, 2025 to discuss the following:
 - Approval of Minutes for the Financial Oversight and Audit Committee meeting of August 28, 2025.
 - Presentation and Discussion on the City’s unfunded pension liabilities for the City of El Paso Employees Retirement Trust and the El Paso Police and Fire Pension Funds.
 - Discussion and Action on the results of the Vehicle Allowance & Take-Home Cars Project P2025-02.
 - Discussion and Action on the results of the On-Call Services Agreement Audit A2024-08.
2. The FOAC met on October 9, 2025 to discuss the following:
 - Approval of Minutes for the Financial Oversight and Audit Committee meeting of September 11, 2025.
 - Discussion and Action to reschedule the November FOAC Meeting to Friday, November 14.
 - Discussion and Action on the Update to the City of El Paso Investment Policy.
 - Discussion on FY 2024-2025 Audit Pan 4th Quarter Updates.
 - Discussion on Action on the results of the Economic Development – 380 Agreement Monitoring Audit Report A2023-07.
 - Discussion and Action on FY 2025-2026 Annual Internal Audit Plan.
3. The FOAC met on November 14, 2025 to discuss the following:
 - Approval of Minutes for the Financial Oversight and Audit Committee meeting on October 9, 2025.
 - Discussion and Action on the City of El Paso’s Internal Audit Current State, Maturity, and Needs Assessment, prepared by Weaver and Tidwell, LLP.

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
1st Quarter 2025-2026 Audit Plan Update
As of November 30, 2025

MISCELLANEOUS ITEMS

This section provides the Financial Oversight and Audit Committee and the City Manager with miscellaneous information regarding the Internal Audit Department's activities. These activities can vary from community service activities, training sessions attended, Professional Certification Examinations attempted with result, and Internal Audit Profession news and updates.

CERTIFICATIONS

Christian Castro and Sergio Carrillo successfully sat for and earned the *Certified Internal Auditor* (CIA) designation. This is a significant professional achievement and a testament to their expertise and dedication to the field of internal auditing.

TRAINING SESSIONS

The Internal Audit Department staff participates in Continuing Professional Education (CPE) trainings and webinars to help maintain our competency and skill sets. As of the 1st Quarter, staff have earned the following number of CPE hours. Staff with professional certifications are required to earn 40 CPE hours per calendar year.

Name	Position	CPE Hours
Liz De La O	Deputy Chief Internal Auditor	43.80
Mike Montiel	Audit Manager	49.50
Martha Vargas	Auditor IV	92.30
Miguel Ortega	Auditor III	44.80
Sergio Carrillo	Auditor III	49.80
Christian Castro	Auditor II	48.80
Christopher Gallardo	Auditor II	57.70
Miguel Olivas	Auditor I	42.80

SERVICE TO THE PROFESSION

- I. Association of Government Accountants – El Paso Chapter
 - Martha Vargas volunteered as a Board Member.
- II. Institute of Internal Auditors – El Paso Chapter
 - Martha Vargas volunteered as a Board Member.
- III. Association of Certified Fraud Examiners – El Paso Chapter
 - Liz De La O and Miguel Montiel volunteered as Board Members.

City of El Paso
 Internal Audit Department
 Financial Oversight and Audit Committee
 1st Quarter 2025-2026 Audit Plan Update
 As of November 30, 2025

AUDIT PLAN UPDATE

This section will provide the Financial Oversight and Audit Committee and the City Manager with an update on the progress of the 2025-2026 Annual Audit Plan. An analysis is provided listing the Audits/Projects scheduled by quarter with their associated budgeted hours. The actual audit hours worked per Audit/Project is provided. This analysis is a great management tool to demonstrate how the Internal Audit Department's resources are being used.

	BUDGETED HOURS	YTD as of 11/30/25
First Quarter	-	-
(CarryFwds) Vehicle Allowance & Take-Home Cars Project P2025-02	15.00	17.25
(CarryFwds) Cyber Audits: EPPD – Administration	50.00	11.00
(CarryFwds) El Paso Zoo – Financial Activity Audit A2025-09	100.00	93.00
(CarryFwds) Red Book Assessment	250.00	15.25
(CarryFwds) Animal Services – Construction Audit A2025-08	400.00	239.50
(CarryFwds) Code Enforcement Division Audit A2025-05	400.00	100.75
Follow-Up: Accounts Receivable Program – 2 nd Follow-Up Audit A2025-10	150.00	171.50
Follow-Up: Planning & Inspections – Permit Review Audit A2026-01	100.00	101.25
Citywide Sales Tax Analysis - Clearview	40.00	26.75
Franchise Fee Audits (Spectrum) – Administration	50.00	-
TX Sales Tax Discovery - Administration	50.00	-
City Employee Hotline	75.00	54.25
Hotel Occupancy Tax Audits - Administration	100.00	38.50
Tax Office Refund Review Project	100.00	183.75
Cyber Audits: Health Department (Administration)	200.00	-
Financial Oversight and Audit Committee	500.00	431.50
Contingency Hours	359.00	453.00
Administrative Duties - Chief Internal Auditor	0.00	-
Administrative Duties – Deputy Chief Internal Auditor	87.00	145.75
Administrative Duties – Audit Manager	87.00	75.25
Administrative Duties - Staff Auditors	375.00	423.25
Auditor Training	100.00	332.50
Vacation/Sick Leave/Holiday	572.00	804.00
Total	4,160.00	3,718.00
Second Quarter	-	-
(CarryFwds) Single-Family Owner-Occupied Renovation Program Audit A2026-06	500.00	31.25
El Paso Police Department – Overtime Audit A2026-05	500.00	96.50
P-Card and Travel Review Audit – City Department (ESD) A2026-07	250.00	114.50
Follow-Up: 380 Agreement Monitoring Audit	250.00	-
Follow-Up: On-Call Services Agreement Audit	250.00	10.50
Citywide Sales Tax Analysis – Clearview	40.00	-
Franchise Fee Audits (Spectrum) – Administration	50.00	-
TX Sales Tax Discovery – Administration	50.00	-
City Employee Hotline	75.00	-

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
1st Quarter 2025-2026 Audit Plan Update
As of November 30, 2025

	BUDGETED HOURS	YTD as of 11/30/25
Second Quarter (Cont.)	-	-
Hotel Occupancy Tax Audits – Administration	100.00	-
Tax Office Refund Review Project	100.00	-
Cyber Audits: Health Department (Administration)	100.00	-
Financial Oversight and Audit Committee	500.00	-
Contingency Hours	494.00	-
Administrative Duties - Chief Internal Auditor	125.00	-
Administrative Duties – Deputy Chief Internal Auditor	87.00	-
Administrative Duties – Audit Manager	87.00	-
Administrative Duties - Staff Auditors	375.00	-
Auditor Training	112.00	-
Vacation/Sick Leave/Holiday	635.00	-
Total	4,680.00	252.75
Third Quarter	-	-
Accounts Payable Audit – City Department	500.00	65.00
Streets and Maintenance – Facility Maintenance Audit	500.00	63.00
Peer Review of the Internal Audit Department	500.00	-
Follow-Up: Parks & Recreations – Park Usage Permit Audit	150.00	5.50
Follow-Up: EPIA Accounts Payable Audit	200.00	-
City Council & City Manager’s Office P-Card and Travel Review (Administration: Co-Sourcing)	45.00	-
Citywide Sales Tax Analysis - Clearview	40.00	-
Franchise Fee Audits (Spectrum) – Administration	50.00	-
TX Sales Tax Discovery - Administration	50.00	-
City Employee Hotline	75.00	-
Hotel Occupancy Tax Audits - Administration	100.00	-
Tax Office Refund Review Project	100.00	-
Cyber Audits: Health Department (Administration)	100.00	-
Financial Oversight and Audit Committee	500.00	-
Contingency Hours	346.00	-
Administrative Duties - Chief Internal Auditor	125.00	-
Administrative Duties – Deputy Chief Internal Auditor	88.00	-
Administrative Duties – Audit Manager	88.00	-
Administrative Duties - Staff Auditors	375.00	-
Auditor Training	113.00	-
Vacation/Sick Leave/Holiday	635.00	-
Total	4,680.00	133.50
Fourth Quarter	-	-
El Paso International Airport – Construction Audit	500.00	-
Parks Department – Sports Fields Audit	500.00	-
La Nube Children’s Museum Contract Audit	500.00	-
P-Card and Travel Review – City Department	250.00	-
Citywide Sales Tax Analysis - Clearview	40.00	-
Franchise Fee Audits (Spectrum) – Administration	50.00	-
TX Sales Tax Discovery - Administration	50.00	-
City Employee Hotline	75.00	-

City of El Paso
 Internal Audit Department
 Financial Oversight and Audit Committee
 1st Quarter 2025-2026 Audit Plan Update
 As of November 30, 2025

	BUDGETED HOURS	YTD as of 11/30/25
Fourth Quarter (Cont.)		
Hotel Occupancy Tax Audits - Administration	100.00	-
Tax Office Refund Review Project	100.00	-
Cyber Audits: Health Department (Administration)	100.00	-
Financial Oversight and Audit Committee	500.00	-
Contingency Hours	563.00	-
Administrative Duties - Chief Internal Auditor	125.00	-
Administrative Duties – Deputy Chief Internal Auditor	88.00	-
Administrative Duties – Audit Manager	88.00	-
Administrative Duties - Staff Auditors	375.00	-
Auditor Training	113.00	-
Vacation/Sick Leave/Holiday	635.00	-
Total	4,752.00	-
Totals for 1st, 2nd, 3rd & 4th Quarters	18,720.00	4,104.25

City of El Paso
Internal Audit Department
Financial Oversight and Audit Committee
1st Quarter 2025-2026 Audit Plan Update
As of November 30, 2025

CONCLUSION

The 1st Quarter of the 2025-2026 Audit Plan was another productive quarter for the Internal Audit Department. During the 1st Quarter, 7 Audits/Projects are in various stages of planning or completion.

It continues to be a pleasure serving the Mayor and City Council, the Financial Oversight and Audit Committee, the City Manager, the Deputy City Managers, and the Managing Directors. The Internal Audit Department staff continues to strive for excellence in meeting our departmental motto, “Exceeding our Client’s Expectations.”

Respectfully Submitted

Elizabeth De La O, CFE, CIA, CGAP, MPA
Deputy Chief Internal Auditor
City of El Paso

Distribution:
Financial Oversight and Audit Committee
Dionne Mack, City Manager
Robert Cortinas, Deputy City Manager/Chief Financial Officer



El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

File #: BC-1577, Version: 1

CITY OF EL PASO, TEXAS LEGISTAR AGENDA ITEM SUMMARY FORM

AGENDA LANGUAGE:

This is the language that will be posted to the agenda. Please use ARIAL 11 Font.

Discussion and Action on the results of the Accounts Receivable Program - 2nd Follow-Up Audit A2025-10.
[Internal Audit, Elizabeth De La O, (915) 212-1371]



Internal Audit Department Accounts Receivable Program – 2nd Follow-Up Audit A2025-10

Background

The City of El Paso utilizes a decentralized Accounts Receivable (A/R) model:

- The [Office of the Comptroller \(OTC\)](#) is responsible for the *City of El Paso Accounts Receivable Policy* that establishes a framework and guidelines for the administration and collection of the A/R function. The *Policy* provides guidelines relating to the recording, management, and collection of accounts receivable throughout the City.
- [City Departments](#) are responsible for executing operational processes in alignment with *Policy*. Each City Department is responsible for developing and maintaining its written Accounts Receivable Procedures, but they still have to abide by the *City of El Paso Accounts Receivable Policy*.

Objective

The objective of the current Follow-Up Audit was to ensure that corrective action was taken by the Office of the Comptroller (OTC) management to address the recommendations for the three (3) Findings identified in the original Audit Report titled *Accounts Receivable Program* dated August 11, 2022.

* The original audit report is posted on the City of El Paso's Internal Audit webpage.

Scope

The 2nd Follow-Up Audit was limited to a review of the three (3) Findings in the Original Audit report titled *Accounts Receivable Program Audit* dated August 11, 2022. The current audit period covered the operations of Fiscal Years 2025 and 2026.

Finding 1

Original Finding

Report dated August 11, 2022

The *City of El Paso Accounts Receivable Policy* lacks specific guidance for City Departments in the following areas:

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

Finding 1

Current Observation

Implemented

OTC has updated the *City of El Paso Accounts Receivable Policy* and created a training course to address the following:

- Ensuring customer invoices contain clear identifying information.
- Establishing the A/R information that must be provided to OTC.
- Providing guidance on how to reconcile payments posted in PeopleSoft.
- Providing guidance to follow when a payment is posted to an incorrect account.

Finding 1

Current Observation (Cont.)

Remaining responsibilities at the department level

OTC has delegated the following recommendations to remain the responsibility of each department to decide the proper implementation based on the department's operational needs:

- Defining which services and activities need to be recorded in the PeopleSoft A/R Module.
- Procedures on how to set up payment plans for the rental of City facilities.
- Procedures on how to correctly record, invoice, and post payments for A/R in PeopleSoft.

Finding 2

Original Finding

Report dated August 11, 2022

The *City of El Paso Accounts Receivable Policy* lacks guidance for past-due account management that addresses the following:

- Whether it is the responsibility of OTC or the departments to collect on past-due accounts.
- A process for Departments to follow when customers have not responded to collection efforts.
- A procedure to refer past-due A/R accounts to a 3rd-party collection agency.
- A process to charge customers for collection costs incurred in pursuit of past-due A/R accounts.
- A policy of restricting customers with past-due A/R accounts from conducting future business with the City.

Finding 2

Current Observation

The City of El Paso *Accounts Receivable Policy dated November 2024* has been updated to incorporate Internal Audit's recommendations for the collection and account management of past-due accounts.

In addition, OTC has established a training course to ensure that City personnel who perform Accounts Receivable functions are familiar with the updated *Policy*.

Finding 3

Original Finding

Report dated August 11, 2022

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

- Three (3) out of seven (7) departments (42.86%) do not consistently record and track all their billable activities in the PeopleSoft A/R Module. Departments use different procedures to bill customers.
- Two (2) out of seven (7) departments (28.58%) are not invoicing customers within 30 days from the date of service as required by the *Policy*.
- One (1) out of seven (7) departments (14.29%) had a payment for a receivable posted to an incorrect account, resulting in the receivable becoming delinquent.
- Five (5) out of seven (7) departments (71.43%) reviewed conduct monthly A/R reconciliations, and
 - One (1) of the five (5) departments provides a monthly A/R report to OTC.

Finding 3

Current Observation

Implemented

OTC has updated the *City of El Paso Accounts Receivable Policy* and created a training course to address the following:

- Steps for staff to identify incorrect deposit postings and whom to contact to apply the payment to the correct account.
- The processes for conducting monthly A/R reconciliations.

Remaining responsibilities at the department level

OTC has delegated the following recommendations to remain the responsibility of each department to decide the proper implementation based on the department's operational needs:

- Recording and tracking all billable activities in the PeopleSoft A/R Module.
- Ensuring customers are invoiced within 30 days of the date of service.

Conclusion

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.

Conclusion (Cont.)

The Office of the Comptroller has delegated the following objectives to remain at the department level:

- 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 payments 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.

Requested Action

To accept the results of the Accounts Receivable Program – 2nd Follow-Up Audit A2025-10 and forward the Audit Report to City Council for action.



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
2	<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> <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

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

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> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;"><u>Reconciliation</u></td> <td style="width: 80%;">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.</td> <td style="width: 10%; text-align: center;">Implemented</td> </tr> <tr> <td><u>Posting</u></td> <td>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.</td> <td style="text-align: center;">*Implemented</td> </tr> <tr> <td><u>Recording</u></td> <td>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.</td> <td style="text-align: center;">*Implemented</td> </tr> <tr> <td><u>Invoicing</u></td> <td>Two (2) out of seven (7) departments (28.58%) are not invoicing customers within 30 days from the date of providing a service.</td> <td></td> </tr> </table> <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>	<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.	Implemented	<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.	*Implemented	<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.	*Implemented	<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.		
<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.	Implemented												
<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.	*Implemented												
<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.	*Implemented												
<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.													

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

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

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.

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

***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.*

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

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.

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

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.

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

- 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.

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

- 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.

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

- 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.

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

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.

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

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.*

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

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="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; padding: 2px;">Fiscal Year</th><th style="text-align: center; padding: 2px;">2014</th><th style="text-align: center; padding: 2px;">2015</th><th style="text-align: center; padding: 2px;">2016</th><th style="text-align: center; padding: 2px;">2017</th><th style="text-align: center; padding: 2px;">2018</th><th style="text-align: center; padding: 2px;">2019</th><th style="text-align: center; padding: 2px;">2020</th><th style="text-align: center; padding: 2px;">2021</th></tr> </thead> <tbody> <tr> <td style="text-align: center; padding: 2px;">Revenue Collected</td><td style="text-align: center; padding: 2px;">\$ 666,872</td><td style="text-align: center; padding: 2px;">\$ 495,706</td><td style="text-align: center; padding: 2px;">\$ 393,090</td><td style="text-align: center; padding: 2px;">\$ 411,015</td><td style="text-align: center; padding: 2px;">\$ 292,837</td><td style="text-align: center; padding: 2px;">\$ 204,250</td><td style="text-align: center; padding: 2px;">\$ 107,195</td><td style="text-align: center; padding: 2px;">\$ 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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**City of El Paso
Internal Audit Department
Accounts Receivable Program – 2nd Follow-Up Audit A2025-10**

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.*

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

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.

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

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.

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

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

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

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.

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

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

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