



**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.