



Internal Audit Office

MAYOR
Oscar Leeser

DATE: April 11, 2022

TO: Philip Etiwe – Director of Planning and Inspections

CITY COUNCIL

FROM: Edmundo S. Calderon, CIA, CGAP, CRMA, Chief Internal Auditor

District 1
Peter Svarzbein

SUBJECT: One Stop Shop Internal Control Review P2022-03

District 2
Alexandra Anello

The Internal Audit Office has completed an internal control review of the City's One Stop Shop. This engagement was accepted based on the engagement's potential to improve management of risks, add value, and/or improve the organization's operations (IIA 2010.C1). The work performed does not constitute an engagement conducted in accordance with Generally Accepted Government Auditing Standards (GAS 1.16). The observations and conclusions that are reported in this memorandum do not require Management Responses.

District 3
Cassandra Hernandez

District 4
Joe Molinar

District 5
Isabel Salcido

District 6
Claudia L. Rodriguez

District 7
Henry Rivera

District 8
Cissy Lizarraga

Background:

The One Stop Shop is managed by the City's Planning and Inspections Department. It services El Paso's businesses, residents, visitors, and the development and construction community. It offers building permits, special event permits, planning and land development services, inspections, and business licensing. It is located on 811 Texas Ave. El Paso, Texas 79901. It opens Monday through Thursday from 7am to 5pm and Fridays from 7am to 11am. The One Stop Shop is responsible for collecting fees for Permits, Inspections, and License Applications.

The "*Fiscal Year 2021-2022 – Annual Audit Plan and Risk Assessment*" scheduled an internal control review of the Cash Handling Procedures at the One Stop Shop.

CITY MANAGER
Tommy Gonzalez

Objectives:

The objective of this engagement was to determine if the One Stop Shop's internal controls were consistent with the City's Cash Handling Policies and Procedures. Also, to determine whether the One Stop Shop was operating in a control conscious environment as it relates to Cash Handling Procedures. We characterized a control conscious environment as having the following:

- An adequate level of internal control awareness,
- Proper separation of duties,
- Existence of a proper monitoring system,
- Appropriate authorization/approval of expenditures,
- Adequate safeguarding of financial, information, and physical assets.

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Tommy Gonzalez

Methodology:

To achieve our audit objectives, we:

- Observed and interviewed One Stop Shop staff to get an understanding of the operations.
- Conducted a review of the One Stop Shop’s Cash Handling Procedures.
- Conducted an assessment of the daily balancing documentation to determine if revenues are properly and accurately reported and deposited.
- Identified potential internal control weaknesses in the safeguarding and transfer of financial, information, and physical assets.
- Documented areas where inefficiencies exist and where internal controls need to be strengthened.

Results:

Based on our review, we have identified the following two (2) Observations:

OBSERVATION 1

Outdated Policies and Procedures

City of El Paso Strategic Plan:

- Goal 6.3 *Implement programs to reduce organizational risk.*
- Goal 6.12 *Maintain systems integrity, compliance, and business continuity.*

Best business practices state:

A strong system of internal controls requires that Policies and Procedures be developed and updated regularly to document routine or repetitive activity followed by an organization. The development and use of Policies and Procedures are an integral part of a successful system as it provides employees with the information and guidance to perform a job properly.

The Development Services Department: Business and Customer Service Center Policies and Procedures Manual dated January 1, 2007, documents the One Stop Shop’s Cash Handling Procedures. A review of the Policies and Procedure Manual identified the following internal control weakness:

- The Policies and Procedure Manual is not updated regularly. The Manual was last updated on January 1, 2007 (15 years ago).

RECOMMENDATION

The Planning and Inspections Management Team should:

- Update their Policies and Procedures Manual to ensure processes and directives are up-to-date.
- Implement a process to periodically review and update their internal Policies and Procedures documented on their Manual.

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OBSERVATION 2

Reconciliation of Fee Waivers

City of El Paso Strategic Plan:

- Goal 6.4 *Implement leading-edge practices for achieving quality and performance excellence*
- Goal 6.12 *Maintain systems integrity, compliance, and business continuity.*

Best business practices state:

A reconciliation process is an internal control that allows organizations to detect errors in transactions, find missing items, and identify fraudulent activities. A reconciliation is an accounting process that compares two sets of records to check that figures are correct and in agreement.

Fees for construction permits, inspections, and license applications are waived for certain construction projects and entities. They must meet specific criteria outlined on the City’s Municipal Code and/or City Ordinances to qualify for the Fee Waiver. For example; the City and County of El Paso, El Paso Housing Authority, State and Federal Governments are exempt from paying permit fees because they are government entities. Fees are also waived for Economic Development Incentives or per City Council directive.

Our review of how Fee Waivers are processed identified that the One Stop Shop does not have a process to reconcile Fee Waivers posted in the Accela Cashiering System to ensure there are no errors or fraudulent waivers.

- The current process is for Fee Waivers to be reviewed, approved, and posted in the Accela Cashiering System by the One Stop Shop Supervisors. Cashiers are required to submit all Fee Waiver requests to their Supervisor.
- The internal control weakness identified in our review is that Cashiers have the ability to process Fee Waivers in the Accela Cashiering System without the Supervisor’s approval.
- Supervisors are not reconciling the Fee Waivers they approved against the Accela Cashiering System to ensure the Fee Waivers are appropriate.
- The One Stop Shop Supervisors have the ability to generate a “Fee Waiver Report” to reconcile the Fee Waivers entered in the Accela Cashiering System, but they are not using it for this purpose.
- According to the Planning and Inspections Department, the One Stop Shop processed:
 - \$1,210,000.00 in Waived Fees for Fiscal Year 2020.
 - \$780,674.18 in Waived Fees for Fiscal Year 2021.

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CITY MANAGER

Tommy Gonzalez

RECOMMENDATION

The Planning and Inspections Management Team should implement a reconciliation process for Fee Waivers posted in the Accela Cashiering System to ensure no errors or fraudulent activity has occurred.

Conclusion:

Based on our review of the internal controls of the City's One Stop Shop, we were able to:

- Confirm that the Cash Handling Procedures at the One Stop Shop are consistent with the City of El Paso Cash Handling Policies and Procedures.
- Determine that the One Stop Shop is operating in a control conscious environment as it relates to Cash Handling Procedures.

We identified the following areas where internal controls can be strengthened:

- The *Development Services Department: Business and Customer Service Center Policies and Procedures Manual* needs to be updated. The Manual was last updated on January 1, 2007 (15 years ago).
- The One Stop Shop lacks a reconciliation process for Fee Waivers posted in the Accela Cashiering System to ensure no errors or fraudulent activity has occurred.

If you have any questions please feel free to contact me at extension 21365.

cc: Financial Oversight and Audit Committee

Tomas Gonzalez, City Manager

Sam Rodriguez, Chief Operations Officer

Robert Cortinas, Chief Financial Officer/Deputy City Manager

Margarita Muñoz – City Comptroller

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**One Stop Shop Internal Control
Review P2022-03
Management Responses**



Planning and Inspections

MAYOR

Oscar Leaser

DATE: June 9, 2022**CITY COUNCIL****District 1**

Peter Svarzbein

TO: Edmundo S. Calderon, CIA, CGAP, CRMA – Chief Internal Auditor**District 2**

Alexsandra Anello

FROM: Philip Etiwe, Planning and Inspections, Director *PE***District 3**

Cassandra Hernandez

THROUGH: Brenda R. Cantu, Business & Customer Service Assistant Manager *BRC***District 4**

Joe Molinar

SUBJECT: P&I Response to Internal Control Review of the One Stop Shop**District 5**

Isabel Salcido

The One Stop Shop (OSS) division of the Planning and Inspections Department is thankful for the thorough review conducted by the Internal Audit Office of the OSS internal controls. It is of the utmost importance to P&I operations that this division (OSS) keep abreast of all City Of El Paso's policies, procedures, and best practices, to manage and prevent risks accordingly.

District 6

Claudia L. Rodriguez

The OSS understands and accepts the observations and recommendations made by the Internal Audit Office. Please note that P&I request that the final report of findings reflect the significant internal controls improvements that have been made and ongoing, but not finalized at the time of the internal control review was conducted.

District 7

Henry Rivera

The following summarizes the progress that have been implemented as best practices, other pending items and estimated completion dates regarding the observations.

District 8

Cissy Lizarraga

Observation 1: Outdated Policies and Procedures**CITY MANAGER**

Tommy Gonzalez

P&I concurs with the Auditor's findings regarding policies and procedures manual and recognize the importance of annual reviews and updates of the manual, for compliance with the City's Cash Handling Policies and Procedures.

The OSS staff anticipates that the updated policies and procedures will be completed by fall of 2022. Upon completion of all amendments, staff will implement an annual review process and timeline of all operating manuals for compliance with City of El Paso cash handling policies.

Philip F. Etiwe, Director

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Observation 2: Reconciliation of Fee Waivers

In 2019, OSS made significant improvements to the fee waiver process by limiting the authority to waive fees to only designated supervisors. Additionally, coordination with the Information Technology Department (IT) is ongoing to streamline the tracking of fees waived in Accela to identify the type of fee waived for comparison, tracking, and reporting purposes. There are limitations that have been identified within the Accela software by the IT department which requires significant modifications to how the software tracks fees. P&I and IT collaboration and coordination have been ongoing since 2020 to make the necessary enhancements and improvements of the software. Other changes implemented includes a report summarizing the City of El Paso Waived Fees that is verified daily by OSS management staff.

The Auditor's report notes that the OSS operation is consistent with the City of El Paso Cash Handling Policies and Procedures and operates in a control conscious environment as it relates to Cash Handling Procedures. P&I and the OSS staff is committed to continuously work to identify areas where cash handling and other operations can be improved for the delivery of outstanding services to our internal and external customers.

If you have any questions, please contact me at extension 21500.

cc: Philip Etiwe, Planning and Inspections Director
Kevin Smith, Planning and Inspections Assistant Director
Tony De la Cruz, Planning and Inspections Assistant Director

Philip F. Etiwe, Director

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