



Internal Audit Office

MAYOR
Oscar Leaser

DATE: December 15, 2022

TO: Maria O. Pasillas – Tax Assessor and Collector

CITY COUNCIL

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

District 1
Peter Svarzbein

SUBJECT: Tax Office Internal Control Review P2023-02

District 2
Alexandra Anello

The Internal Audit Office has completed an internal control review of the City’s Consolidated Tax Office. 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

Background:

The City of El Paso’s Consolidated Tax Office collects property taxes on behalf of the 44 units of government that levy a tax within the El Paso County. The Tax Office currently located at 221 N. Kansas Ste. 300, manages all in-person, online, and mailed-in tax payments. The Tax Office processes, deposits and reconciles over \$1.4 billion in Property Taxes collected annually.

District 5
Isabel Salcido

Objectives:

The objective of this engagement was to determine if the Tax Office’s internal controls are consistent with the City’s Cash Handling Policies and Procedures. Also, to determine whether the Tax Office is operating in a control conscious environment as it relates to Cash Handling Procedures. We characterized a control conscious environment as having the following:

District 6
Claudia L. Rodriguez

- 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.

District 7
Henry Rivera

Methodology:

To achieve our audit objectives, we:

- Observed and interviewed Tax Office staff to get an understanding of the operations.
- Conducted a review of the Tax Office’s Cash Handling Procedures.
- Conducted an assessment of the daily balancing documentation to determine if revenues were accurately reported and properly deposited.
- Conducted an assessment of the internal controls in place regarding the safeguarding and transfer of financial, physical, and information assets.

District 8
Cissy Lizarraga

CITY MANAGER
Tommy Gonzalez

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Results:

Based on our review, we have identified the following Observation:

OBSERVATION 1

Strong Internal Controls

City of El Paso Strategic Plan:

- Goal 6.3 *Implement programs to reduce organizational risk.*
- Goal 6.4 *Implement leading-edge practices for achieving quality and performance excellence.*
- Goal 6.12 *Maintain systems integrity, compliance, and business continuity.*

City of El Paso's Cash Management Policy dated September 1, 2021:

- Section 5.0 Depositing of Funds, 5.1: *Depositories, all monies received by any person in any department, in connection with the business of the City, shall be deposited promptly into a City depository account within one business day after its receipt.*
- Section 5.0 Depositing of Funds, 5.2: *Departments must ensure that all monies are safeguarded at all times in a safe secured lockbox or secured money bag. Access to all safes should be limited to no more than three individuals, one being a supervisor.*
- Section 5.0 Depositing of Funds, 5.3: *Deposits may be submitted to the bank via armored car at the department's expense.*
- Section 5.0 Depositing of Funds, 5.4: *Monthly reconciliations are to be prepared at the departmental level to confirm that all receipts have been recorded in the general ledger.*
- Section 5.0 Depositing of Funds, 5.5: *All collected receipts are to be reconciled to the pre-numbered deposit slip system in place and any discrepancies are to be documented by the collector and approved by the supervisor in charge.*
- Section 5.0 Depositing of Funds, 5.7: *Access to the cashiering area is restricted to cashiering personnel only.*

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 Consolidated Tax Office's *Collections Procedures*, revised July 26, 2022, documents its Cash Handling and Collections Procedures. A review of these Policies and Procedures identified the following internal control strengths:

- The *Collections Procedures* are specific to the Tax Office's cash operations.
- The Policies and Procedures were recently updated on July 26, 2022.

Internal Audit Office identified:

- No internal control weaknesses in the cashiering functions. The cashiering processes followed the City of El Paso's *Cash Management Policy* dated September 1, 2021.

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- The revenue documentation reviewed for September 26, 28, and 30, 2022 was complete and included the following:
 - Revenues collected are properly reconciled to property tax collection reports.
 - Revenue collected by the cashiers is tracked to ensure it is deposited at the bank and reflected on the City of El Paso's General Ledger. Deposits are reviewed by a second person.
 - There is proper segregation of duties between persons collecting cash, preparing bank deposits, and posting to the City of El Paso's General Ledger.
- Financial, information and physical assets are safeguarded.
 - Cash drawers and the safe are closed and locked when not in use.
 - Employees are not allowed to possess personal belongings in areas where cash is handled.
 - An armored car service is used to transport cash deposits to the bank.
 - A Security Guard is present during business hours to help safeguard the Tax Office premises. When customer volume increases during the months of November to January, additional Security Guards will be scheduled.
 - Video cameras are installed throughout the Tax Office. There are cameras that monitor the workspace of all cashiers, the vault room, and safe. The video footage is monitored by Tax Office Supervisors.
 - Access to certain areas within the Tax Office are restricted to staff and require badge access to enter.
 - Access to computers is password protected and each cashier has their own login credentials.

Conclusion:

Based on our review of the internal controls of the City's Consolidated Tax Office, we were able to:

- Confirm that the Cash Handling Procedures at the Tax Office are consistent with the City of El Paso's Cash Handling Policies and Procedures.
- Confirm that the Tax Office's Cash Handling Procedures and Operations are properly and accurately being collected, reported, and deposited.
- Determine that the Tax Office is operating in a control conscious environment as it relates to the safeguarding and transfer of financial, information, and physical assets.

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

cc: Financial Oversight and Audit Committee
Tomas Gonzalez, City Manager
Robert Cortinas, Chief Financial Officer/Deputy City Manager

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