



**Engineering & Construction
Management Fees
Follow-Up Audit Report A2014-07**

Issued by the
Internal Audit Office
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**City of El Paso
Internal Audit Office
Engineering & Construction Management Fees Follow-Up Audit A2014-07**

EXECUTIVE SUMMARY

The Internal Audit Office conducted a Follow-Up Audit of the Engineering & Construction Management Fees Audit Report dated February 20, 2012. The original Audit Report contained four findings. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

Finding No.	Description of Findings	Status
1	A review of the daily balancing documentation for the month of October 2011 identified that daily balancing documentation was incomplete and/or inaccurate for 17 out of 17 (100%) days reviewed.	Implemented
2	The Business Center holds checks for Planning & Economic Development and Engineering & Construction Management in their safe. As of 12/1/2011 the Business Center had checks on hand with dates ranging from 8/8/2011 to 11/9/2011, totaling \$7,670.70.	Implemented
3	Credit Card payments are being accepted at the Building Permits and Inspections Section by the Senior Secretary and a Customer Relations Clerk.	Implemented
4	There are internal control weaknesses related to the safeguarding of Business Center revenues. The weaknesses are outlined below: <ul style="list-style-type: none">• Clerks do not log off or lock their cash drawer when they step away from their work station.• Balancing of cash register drawers is not conducted in a secured area.• With the transition of the Business Center to the 1st floor of City Hall, monies will be transferred from the 1st floor to the 5th floor using the elevators so that they can be safeguarded in the Business Center safe.	Implemented

For a detailed explanation of the findings and current observations please refer to the appropriate finding contained in the body of this Audit Report.

BACKGROUND

City Development oversees Building & Development Permitting, the Business Center, Economic Development, Land Development, the Planning Division, and the One-Stop-Shop (OSS). The City of El Paso's newly formed One-Stop-Shop was combined with the Business Center, with the administrative functions remaining at the Business Center. The One-Stop-Shop is located at 811 Texas Ave El Paso, TX 79901. The OSS provides a variety of services that afford customers the convenience of handling business in one easily accessed location. OSS transactions include:

- All Licensing
- Commercial Building Tenant Improvements
- Code Compliance Information
- Expedited Plan Review (PBA/ CPR)
- Fire
- Food Establishment Permits
- Express Front Counter Services
- Parades
- Plan Review
- Special Events/ Special Privileges
- Texas Alcoholic Beverage Commission (TABC)
- Zoning Information
- Assistance is also available over the phone

As of 5/21/2014, the One-Stop-Shop serviced 20,843 permit customers, 10,136 licensing customers, and has collected a total of \$12,202,979.67 for FY 2014.

OSS also houses the Development Assistance Center (DAC). It has been a primary resource available to businesses, developers, property professionals, and members of the public. The objective of the DAC is to assist development applicants in preparing plans, understanding regulations, obtaining approvals and successfully completing projects.

In the past, customers would check in with reception and be given a numbered ticket. An individual seeking a quick permit would be held in line behind a customer with numerous building plans. The OSS was created to funnel quick payments away from transactions that take a considerable amount of time: third-party and volume builders. The OSS created efficiency by providing a location for all business to be conducted on the spot with required personnel in one location (Planners, Plans Examiners, Health Department, Environmental Services, Fire Department, and Cashiering). Currently third party and volume builders are being assisted at the Tillman Center which is scheduled to move to 801 Texas (next door to the OSS) in June 2014.

AUDIT OBJECTIVES

The audit objective was to ensure that corrective action was taken by management to address the recommendations detailed in the original Audit Report dated February 20, 2012.

AUDIT SCOPE

The audit period covered the operations of Fiscal Year 2013 – 2014.

AUDIT METHODOLOGY

To achieve our audit objectives we:

- Conducted interviews with City Development Department management and staff.
- Verified that daily balancing documentation is complete and accurate.
- Reviewed and analyzed the most recent “ECM Safe Log.”
- Verified that credit card payments are not being accepted at the Building & Development Permitting Section (formally Building Permits and Inspections Section).
- Verified that clerks log off and lock their cash drawer when they step away from their stations.
- Verified that the balancing of cash register drawers is conducted in a secured area.
- Verified that daily deposits, cash drawer tills, and the One-Stop-Shop change fund is adequately safeguarded.
- Verified that proper security measures have been implemented for the transfer of monies.

We conducted this performance audit in accordance with Generally Accepted Government Auditing 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.

This audit was also conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

ORIGINAL FINDINGS, ORIGINAL RECOMMENDATIONS, MANAGEMENT'S RESPONSE TO ORIGINAL FINDINGS, CURRENT OBSERVATION, AND STATUS

Based on the results of follow-up test work, each 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.

Finding: 1

Daily Balancing Documentation for Accuracy

As required by established internal Engineering and Construction Services Cash Handling Procedures,

- *“All Customer Relations Clerks will begin each daily working session with a combination of \$200.00 cash/currency in their drawer; this is to be counted by the employee for verification...b. Customer Relations Clerk are required to complete Daily Activity Report...”*

A review of the daily balancing documentation for the month of October 2011 identified that daily balancing documentation, which consists of one “Daily Cash Report,” a “Daily Activity Report,” and a “Cashier Summary” report for each cashier that worked on a given day, was incomplete and/or inaccurate for 17 out of 17 (100%) days reviewed.

A listing of the discrepancies identified is presented below:

Description	Instances
The “ <u>Daily Activity Reports</u> ” were not properly initialed and dated in the designated area.	17
“ <u>Daily Activity Reports</u> ” did not match their corresponding “ <u>Cashier Summary</u> .” Discrepancies were due to voids and the Customer Service Clerk's inputting the incorrect payment type for revenue collected.	15
“ <u>Engineering & Construction Management Daily Cash Report</u> ” totals did not correspond to the Accela “ <u>Cashier Summary</u> ” totals.	9
Voids were not adequately supported and properly completed in Accela.	3

Recommendation:

The Business Center should implement a reconciliation process to ensure that daily balancing documentation is complete and accurately completed.

Management's Response

- 1.) Policy revised to include the signature of individual cashier and supervisor in the designated area.

Context: The audit was performed during a period of transition, the following findings were partially due to a learning curve and/or associated with policies and procedures, now developed, relating to the new Accela system.

- 2.) Void procedures have been modified. They are now processed daily in order to close the cashiering station. Cashiers must submit a copy (screen shot) of all voids for reconciliation purposes.
- 3.) Daily deposits reconcile against both the Cash Report and Accela Summary. These two reports and the deposit must match exactly. (Previous issues related to voids, addressed above)
- 4.) See response 2.

Responsible Party

Customer Relations & Billing Supervisor and Business & Financial Manager

Implementation Date

March 19, 2012

Current Observation

A review of the daily balancing documentation for the period of April 14, 2014 to May 2, 2014 identified that:

- Daily balancing documentation was not accurate for 13 out of 15 (87%) days reviewed. The following are the discrepancies identified:
 - 4 days contained Engineering & Construction Management Daily Cash Report totals that did not correspond to the Accela Cashier Summary totals. The discrepancies were due to receipt of change requests from the bank, clerk shortages and overages, and voids conducted of transactions that occurred on a different date.
 - 13 days contained Daily Activity Reports that did not match their corresponding Cashier Summary. The discrepancies were due to voids, refunds, and the Customer Relations Clerk's not properly coding payment types.
 - *Note: The Customer Relations Clerks do not have access to process their own voids, the One-Stop-Shop Supervisors process the voids under their user ID. This is an internal control that should continue to stay in effect until a solution is identified in which Supervisors can log into a clerks session and process the void.*
- Daily balancing documentation was complete for 15 out of 15 days reviewed and voids were properly completed.
 - For all 15 days reviewed, the daily activity reports were properly initialed and dated in the designated area.
- There is evidence of reconciliation and approval for 15 out of the 15 (100%) days reviewed.

Other Observations

- The Daily Activity Reports have not incorporated the receipt of Money Orders. Money Orders are grouped with the total of checks of received.
- \$20.00 cash/change box maintained at the One-Stop-Shop is not listed on the Daily Cash report to reflect the cash that is maintained on-hand.

Status

Implemented

Finding: 2

Holding of Checks

As required by the City of El Paso Cash Management Manual dated June 2011, Sections 5.1 and 5.2,

- *“All moneys received by any person in any department, in connection with the business of the City, must be deposited within 24 hours of receipt or in accordance with 5.2 below. DO NOT HOLD CHECKS FOR ANY REASON AT THE DEPARTMENT LEVEL. If issues arise where an employee believes that holding a check is prudent, please contact TSD immediately for disposition. Or, if a disposition of the funds cannot be reached at a department level or timely through TSD, the moneys will be presented to City Cashier’s for handling.”*
- *“In no circumstance should a check be left undeposited for more than 10 days from the date of the check to prevent loss of funds to the City.”*
- *“accept no temporary checks.”*

The Business Center holds checks for Planning and Economic Development and Engineering & Construction Management in their safe.

- As of 12/1/2011 the “Business Center ECM Safe Log” listed four checks with dates ranging from 8/8/2011 to 11/9/2011, totaling \$7,875.70. The actual checks on hand totaled \$7,670.70.
- A review of the log and the checks on hand identified the following:
 - A check for \$92.00 was not listed on the log,
 - A check for \$297.00 had not been properly signed out,
 - The check dated 8/8/2011 in the amount of \$1,083.00 was a temporary check.

Recommendation:

Management should ensure that temporary checks are not accepted and that checks received are deposited in accordance with the City of El Paso’s Cash Management Manual.

Management’s Response

Per new policy, the Business Center no longer accepts temporary checks. If there is a need to retain checks for more than 24 hours, they will be taken to Financial Services- Treasury until deposit.

Responsible Party

Customer Relations & Billing Supervisor and Business & Financial Manager

Implementation Date

March 19, 2012

Current Observation

- The One-Stop-Shop has not held a check for other departments since January 29, 2013. A total of 13 checks were listed on the “ECM Safe Log” after the date of the Engineering & Construction Management Fees Audit Report dated February 20, 2012.
- On January 24, 2013 the last check was logged in as received and was picked up on January 29, 2013. All 13 checks had a Check number indicating that they were not temporary checks.
- Current procedure requires that no checks be held and that all checks are processed when received.

Status

Implemented

Finding: 3

Credit Card Payment Processing

- By Department Procedures, all payments for services provided by Engineering & Construction Management are to be processed or referred to the Business Center for processing.
- As required by the City of El Paso Cash Management Manual, Section 6.0: “*TSD is responsible for citywide coordination of acceptance of credit cards for payments. Departments must receive authorization from the TSD in order to process credit cards through the system.*”

Credit Card payments are being accepted outside of the Business Center by the Senior Secretary and a Customer Relations Clerk.

- The Secretary and the Clerk are housed in the Building Permits and Inspections Section.
- The customer and credit card information is being written down on a manual form and is delivered to the Business Center for processing, usually at the end of each day.

Recommendation:

The Senior Secretary and a Customer Relations Clerk that are housed in the Building Permits and Inspections Section should not take down any credit card information. All payment related calls should be referred to the Business Center for proper processing.

Management's Response

Per new policy, **no** employee outside of the Business Center may accept credit card information. All customers wishing to pay with a credit card will be referred to the Business Center. In addition, the Business Center will only accept credit card payments for functions assigned to the division, i.e.: License and Permit activity

Responsible Party

BPI Deputy Director, Customer Relations & Billing Supervisor and Business & Financial Manager

Implementation Date

March 12, 2012

Current Observation

Credit card payments are no longer being accepted at the Building & Development Permitting Section, previously known as the Building Permits and Inspections Section. All payments are referred to the One-Stop-Shop for proper processing.

Status

Implemented

**REGULAR FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

Finding: 4

Safeguarding of Business Center Revenues

As required by the Cash Management Manual dated June 2011, Section 5.2, “*Departments must ensure that the moneys are safeguarded at all times, preferable in a safe or other secured lockbox or cabinet.*”

There are internal control weaknesses related to the safeguarding of Business Center revenues. The weaknesses are outlined below:

- During a site visit conducted on 11/30/2011, it was observed that two out of three (67%) clerks did not log off or lock their cash drawer when they stepped away from their station.
- Balancing of cash register drawers is not conducted in a secured area.
- Daily deposits, cash drawer tills, and the Business Center change fund are currently adequately safeguarded in the Business Center safe. With the transition of the Business Center to the 1st floor of City Hall, monies will be transferred from the 1st floor to the 5th floor using the elevators so that they can be safeguarded in the Business Center safe.

Recommendation:

The Business Center should install a safe on the 1st floor and implement proper security measures to ensure the safeguarding of assets.

Management's Response

Per new policy, Cashiers are required to lock their cash drawer when they step away from their station. Balancing of the cash registers will take place at the back-half of the employee workstation without any distraction (no customer or other contact, no phone, or any other type of disruption).

Until the Tax office moves, those employees transporting funds between the 5th to 1st floors are using the secure Mayor's elevator with 2-3 person integrity and no public interaction. Once the tax office vacates the space, the vault combination will be changed and the Business Center will utilize the safe.

Responsible Party

Customer Relations & Billing Supervisor & Customer Relations Representatives

Implementation Date

March 19, 2012

Current Observation

The following proper security measures were observed:

Logging-Off and Locking Cash Drawer

- During a site visit conducted on May 21, 2014, it was observed that:
 - One out of five (20%) clerks locked their cash drawer and kept the keys, but the clerk forgot to log off their computer when they stepped away from their work station for an extended period of time. Upon returning, the clerk did notice that they had not logged off.
 - The other four clerks locked their cash drawers, logged off their computer, and took their cash drawer keys with them when they stepped away from their station.

Balancing

- The front end clerks balance in a secure area. The phone clerks balance at their station which is located in a secure area.

Safeguarding of One-Stop-Shop monies

- Daily deposits, cash tills, and the One-Stop-Shop Change fund are adequately safeguarded in the One-Stop-Shop vault. A deficiency was identified in the number of individuals that have access to the vault.
 - According to Section 5.2 of the City of El Paso Cash Management Manual dated June 2011, "Access to all safes should be limited to no more than three individuals." There are currently four individuals that have access to open the One-Stop-Shop vault: three One-Stop-Shop employees and the building security guard whom has a Master key that opens the vault.
 - The Administrative Services Manager indicated that once the individuals at the Tillman Center are moved, the safe currently located at Tillman will be placed inside the One-Stop-Shop vault. All currency and deposits will be placed inside the safe. The combination to the safe will be changed and only three individuals will have access to open the safe. The Internal Audit Office has reasonable assurance that these procedures will occur given that these procedures were in place at the former City Hall Business Center.

Status

Implemented

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 are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

We have concluded our audit work on the objectives of the Engineering & Construction Management Fees Follow-Up Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the observations and conclusion. In accordance with Generally Accepted Government Auditing Standards we are required to conclude on whether City Development met the objectives of this audit. The following is our conclusion.

The City Development Department has met the Audit objectives in the following areas:

- The completion and reconciliation of daily balancing documentation.
- Processing checks when received and no longer holding checks for other departments.
- Processing all credit card payments and not allowing the Building & Development Permitting Section to write down customer credit card information.
- Proper safeguarding of One-Stop-Shop monies.

We wish to thank the management and staff of the City Development Department for their assistance and courtesies extended throughout this audit.

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