



**International Bridges – Internal Controls
Follow-Up Audit Report
A2014-08**

Issued by the
Internal Audit Office
July 17, 2014

**City of El Paso
Internal Audit Office
International Bridges – Internal Controls Follow-Up Audit No. A2014-08**

EXECUTIVE SUMMARY

The Internal Audit Office conducted a Follow-Up Audit of the International Bridges – Internal Controls Audit Report dated August 23, 2012. The original Audit Report contained six 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	The International Bridges’ “ <i>Operational Procedures Manual</i> ” has not been updated to reflect its most current policies and procedures.	Implemented
2	The Toll Cashiering System utilized to track toll activity is inconsistent when reporting the amount of tolls processed and revenue collected.	Implemented
3	Based on the review of daily cash closeout and the reconciliation process, the balancing process utilized by International Bridges is not being conducted properly.	Implemented
4	We identified the following weaknesses with the Automatic Vehicle Identification (AVI) Program: <ul style="list-style-type: none"> – There is no adequate review and reconciliation of adjustments made to the customers’ pre-paid account balances by management. – Eight employees share a password and a log-in account called “Substitute Secretary 2000”. 	Implemented
5	Based on our review of the International Bridges’ internal controls, we identified six weaknesses that need to be strengthened to ensure proper safeguarding of cash.	Implemented
6	A review of Revenue Reports for the period of 6/17/12 – 6/23/12 identified that revenue is not being deposited in accordance with the City of El Paso Cash Management Manual.	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.

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BACKGROUND

The International Bridges Department is responsible for operating and managing three City-owned International Bridges: the Paso Del Norte and Stanton Bridges, which are located in Downtown El Paso, and the Zaragoza Bridge situated in the Mission Valley of El Paso. The international border crossings connect Ciudad Juarez, Chihuahua and El Paso, Texas, the world's largest international border metroplex. The Department's mission is to provide safe, convenient, efficient and reliable cross border mobility at an appropriate cost, while facilitating international commerce.

In order to achieve an efficient movement of vehicles through toll plazas, the International Bridges Department implemented the Automatic Vehicle Identification Program (AVI) at the Zaragoza and Stanton Bridges. Through this system, bridge users may open an account to place credit amounts from which tolls are deducted automatically via radio frequency identification. The Zaragoza, Stanton, and Paso Del Norte Bridges operate 24 hours a day, 7 days a week and handle high volumes of traffic each year.

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 August 23, 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 International Bridges Department management and staff,
- Reviewed International Bridges' policies and procedures and visited the Zaragoza and Downtown International Bridge.
- Tested the Toll Collection System and reviewed Toll Collector's Tour of Duty Reports and supervisors' Cashier Summary Reports.
- Reviewed reconciliation processes for Kiosk Machines and AVI payments.
- Tested the timeliness of deposits and tracking of overages/shortages for Kiosk Machines.

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.

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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

Standard Operating Procedures

A strong system of internal controls requires that Standard Operating Procedures (SOP) are written to document routine or repetitive activity followed by an organization. The development and use of SOPs are an integral part of a successful quality system as it provides individuals with the information to perform a job properly.

The International Bridges’ “*Operational Procedures Manual*” was last updated on November 2006 when the Department was under the administration of the City of El Paso’s Street Department. The manual does not reflect International Bridge’s most current policies and procedures.

Recommendation:

Management should update their “*Operational Procedures Manual*” with the most current policies and procedures. A copy of the updated manual should be made available to all the International Bridges’ employees.

Management’s Response

The Operational Procedures Manual is currently being revised and will be available within the next 4 months.

Responsible Party

Ana Glacken – Associate Accountant

Implementation Date

January 18, 2013

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Current Observation

The department's operating policies and procedures have been updated and made available to the employees. The updated policies and procedures were documented in two manuals; the *Money Room Operational Procedure Manual* dated January 2013 and the *Toll Collection Operational Procedure Manual* dated June 2014.

Status

Implemented

Finding: 2

The Revenue & Market Integration (TRMI) System

A cashiering system provides an independent verification of the cash transactions processed by a cashier. The TRMI System allows supervisors to verify sales against the amount of cash that should be present in the cash drawer at the end of the shift. It is an internal control and an integral part of the cash collection cycle.

The Toll Cashiering System utilized to track toll activity is inconsistent when reporting the amount of tolls processed and revenue collected. We identified the following discrepancies:

- 6 out of 14 (43%) Toll Collectors reviewed contained a Tour of Duty Report reflecting where incorrect fees were charged or recorded. Further analysis revealed that the anomalies were due to the Tour of Duty Reports not reporting the correct amount of tolls processed and/or collected. The source of the miscalculation could not be identified and appears to be a result of a system error.

Recommendation:

The International Bridges Department should evaluate their TRMI System to determine if an upgrade or a repair is required to correct the inaccurate information being provided.

Management's Response

The Toll Collection and Auditing System currently in use was last updated in 2000. The life of the system should be 5 to 8 years and the current system is in its 12th year. We are under contract for a system wide upgrade that should be completed by January 31, 2013. This should resolve this issue.

Responsible Party

Eddie Romero – Toll Collections Supervisor

Implementation Date

January 31, 2013

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Current Observation

The TRMI System was upgraded on December 2013 and the inconsistencies between the toll count and the revenue reported on the Toll Collectors’ Tour of Duty Report has been corrected. A review of 12 Toll Collector’s Tour of Duty Reports for the day of May 1, 2014 was conducted and the following was identified:

- 12 out of 12 (100%) Toll Collectors reviewed contained a Tour of Duty Report reflecting accurate toll counts and revenues.

Status

Implemented

Finding: 3

Daily Balancing Documentation and Reconciliation

Section 5.4 Depositing of Funds of the City of El Paso Cash Management Manual dated June 2011 states that: *“Reconciliations to the general ledger system should be prepared at the departmental level to ensure that all receipts are traced into the general ledger. An individual at the departmental level should document these reconciliations.”*

1. Daily balancing documentation is not accurately reflecting the revenue collected by the Toll Collectors. 44 instances were identified where the supervisor’s “Cashier Summary Report” (CSR) did not reflect the correct revenue amount. Supervisors are adjusting revenues to match the cash amounts collected by the Toll Collectors.

Bridge	Exceptions	Revenue Difference Due to:	
	# of Incorrect Revenue Amounts Identified	Axle Counts Adjusted	Revenue Computed Differently on the “CSR”
Zaragoza	25 out of 53 (47%)	15	10
Downtown	19 out of 37 (51%)	11	8

Note: The difference contained in the daily balancing documentation was insignificant and considered immaterial.

2. There is no review process in place to reconcile daily sales against the daily collections from the Kiosk Machines. Cash collected from the Kiosk Machines is counted by the Money Room, but not reconciled against the daily sales.

Recommendation:

The International Bridges Department should implement a reconciliation process to ensure that daily balancing documentation is accurate and Kiosk Machines’ daily sales are reconciled.

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Management's Response

1. The Toll Collection System upgrade should resolve most of the discrepancies between revenue and cash. Procedures will be initiated to reconcile discrepancies between dedicated revenue and collected cash.
2. A procedure has been developed to reconcile Kiosk daily sales against daily collections and is currently in use. The procedure will be included in the Operational Procedures Manual.

Responsible Party

Anna G. Aguirre – Toll Collections Supervisor and Sandra Limon – Business and Financial Manager

Implementation Date

January 31, 2013

Current Observation

1. A sample of daily balancing documentation for revenue collected by Zaragoza and Downtown Toll Collectors during May 1, 2014 and May 2, 2014 was reviewed. Our testing consisted of determining if toll revenues are recorded accurately on the supervisor's Cashier Summary Report. The following was identified:
 - 15 out of 16 (93.75%) Zaragoza Toll Collectors reviewed contained accurate revenue amounts on the supervisor's Cashier Summary Report.
 - 6 out of 12 (50%) Downtown Toll Collectors reviewed contained accurate revenue amounts on the supervisor's Cashier Summary Report.
2. A review of Kiosk Machine sales was conducted for the period of April 2014 through June 2014 and evidence was found indicating that sales were reconciled against the cash collected.

Status

Implemented

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Finding: 4

Automatic Vehicle Identification Program – Prepaid Accounts

A strong system of internal controls requires that any manual adjustments made to the AVI system records be reviewed and approved by a direct supervisor or manager. Log-in passwords should not be shared between employees.

- We identified the following weaknesses with the Automatic Vehicle Identification (AVI) Program:
 - There is no adequate review and reconciliation of adjustments made to the customers’ pre-paid account balances by management.
 - Eight employees share a password and a log-in account called “Substitute Secretary 2000”.

- In addition, our review of the AVI pre-paid accounts identified the following:
 - There are 83 inactive pre-paid accounts with an unused balance totaling \$2,855.85.
 - There are 289 pre-paid accounts with a negative balance totaling (\$2,248.45).
 - There are two pre-paid accounts titled “Testing Account” with a balance totaling \$4,876.51.

Recommendation:

The International Bridges Department should ensure that:

- AVI adjustments are reviewed and approved by a supervisor,
- Employees are issued a unique log-in account and password,
- Pre-paid accounts with unused or negative balances are cleared.

Management’s Response

1. AVI adjustments duties will be returned to the Secretary. These adjustments will be checked and approved by the Toll Collections Supervisor.
2. All employees that accept payments have been issued individual log in numbers and passwords.
3. Once the Toll Collection System is upgraded, the database will be migrated to the new system. Only positive balances and active accounts will be included in the upgraded Toll Collection System. Accounts with a negative balance will be audited to determine if the account holder owes the City. A letter requesting payment due will be sent to account holders with a negative balance.

Responsible Party

Anna G. Aguirre and Eddie Romero – Toll Collections Supervisors and Sandra Limon – Business and Financial Manager

Implementation Date

January 31, 2013

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Current Observation

Our review of the AVI process identified the following:

- A reconciliation process where a supervisor is reviewing AVI adjustments made to customer's pre-paid account balances.
- Log-in account "Substitute Secretary 2000" has been removed from the AVI Program and Toll Collectors have been issued a unique log-in account and password to log into the AVI Program.
- An attempt was made to delete pre-paid accounts with a negative or unused balance, but the City's Office of the Comptroller recommended not clearing these accounts. It was determined that the customer has the right to request their remaining account balance at any time. Given that pre-paid accounts do not have a due date and a current mailing address the Office of the Comptroller could not bill the customer to attempt to recover the negative balance.

Status

Implemented

Finding: 5

Safeguarding of Cash

Section 5.2 Depositing of Funds of the City of El Paso Cash Management Manual dated June 2011 states that: *"Departments must ensure that the moneys are safeguarded at all times, preferably in a safe or other secured lockbox or cabinet."*

Based on our review of the International Bridges' internal controls, we identified six weaknesses that need to be strengthened to ensure proper safeguarding of cash:

- Toll Collectors do not use their cash drawers when collecting tolls. Toll Collector's money is placed outside the cash drawer and is visible when transactions are processed.
- Toll Collectors are allowed to bring their personal belongings (handbags, lunch bags, and backpacks) inside their toll booth.
- Commercial Toll Collectors use their personal vehicles to transport their beginning cash money to their designated toll booth.
- Toll Collectors balance their cash drawer at their toll booths, which are located in view of the customers and people crossing the International Bridge.
- A money drop box is located inside a commercial toll booth and not bolted on to the floor.
- The exchange of Mexican currency to U.S. currency is conducted with the Exchange House runner outside the International Bridges' building visible to the public.

Recommendation:

The International Bridges Department should ensure that Toll Collectors:

- Use their cash drawers when collecting tolls,
- Do not bring their personal belongings inside their toll booths,
- Do not use their personal vehicles to transport cash,
- Balance their cash drawer in a secure area.

In addition, the:

- Money drop box located inside the commercial booth should be bolted to the floor,
- Exchange of currency should be conducted inside the International Bridge's building.

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Management's Response

1. The department will instruct the Toll Collectors to reduce the amount of cash kept outside of the drawer and to maximize the use of the drawers. (Toll Collectors keep currency on the counter top to improve transaction time.)
2. Toll Collectors will be directed to stop bringing personal belongings inside the toll booths. Personal belongings will be restricted to lockers, or vehicle. Previously issued memo dealing with this issue will be re-distributed.
3. Starting cash will be transported by Armored Car service to the Commercial lanes and secured in money lockers; Toll Collectors will no longer transport their own starting money.
4. Toll Collectors will be instructed to take their cash inside the building for balancing. Commercial Toll Collectors will continue to balance their cash drawer in the toll booth until a portable office building is installed in the immediate area.
5. The drop safe has been secured to the floor and an additional camera will be added to monitor this area.
6. Mexican currency exchange has been moved to the lobby of the Stanton Toll Plaza.

Responsible Party

Anna G. Aguirre and Eddie Romero – Toll Collections Supervisors and Sandra Limon – Business and Financial Manager

Implementation Date

October 3, 2013

Current Observation

- Toll Collectors are:
 - Using their cash drawer when collecting tolls,
 - Not bringing their personal belongings inside their toll booths,
 - Not using their personal vehicle to transport their beginning cash. Armored car services have been contracted to transport the beginning cash bags to the commercial toll lanes.
 - Balancing their cash drawer in a secure area.
- The money box located inside the commercial booth is bolted to the floor.
- The exchange of Mexican pesos to U.S. currency is no longer conducted outside the International Bridges' building, but at the Exchange House's location. Currency is being transported in a City vehicle by a Money Room employee and an armed security guard. The International Bridges Department is considering amending their armored car service agreement to include the delivery of currency to the Exchange House for the next budget year. No weakness were identified in this process given that there is a dual control in place and an armed security guard during the exchange process.

Status

Implemented

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Finding: 6

Timeliness of Deposits & Tracking of Overages/Shortages

Section 5.2 Depositing of Funds of the City of El Paso Cash Management Manual dated June 2011 states that: *“If moneys on hand are less than \$50.00, departments may choose to keep these funds until the amount reached is in excess of \$50.00, at which point department must make the deposit within the 24-hour period.”*

Section 5.7 Depositing of Funds of the City of El Paso Cash Management Manual dated June 2011 states that: *“Supervisor will keep a log on overages/shortages by cashier. This log should be reviewed to identify cash handling problems.”*

1. A review of Revenue Reports for the period of 6/17/12 – 6/23/12 identified that revenue is not being deposited in accordance with the City of El Paso Cash Management Manual. Deposits are not deposited within a 24 hour period. Differences in the Armored Car pick-up schedule and workload in the Money Room is why deposits are not deposited within a 24 hour period.

Bridge	# of Deposits <u>Not Made</u> on a Timely Basis	Total Amount not Deposited Timely	Calendar Days Late
Zaragoza	18 out of 18 (100%)	\$200,665.50 (100%)	1 day
Downtown	21 out of 21 (100%)	\$92,796.09 (100%)	1 day

2. Supervisors are not logging overages/shortages for the Kiosk Machines and the Automatic Vehicle Identification (AVI) Program as outlined in the Cash Management Manual.

Recommendation:

The International Bridges Department should:

- Adhere to the deposit and overages/shortages guidelines outlined in the City of El Paso Cash Management Manual,
- Contact the Wells Fargo Bank to calculate the deposits, or
- Increase the number of pick-ups by the Armored Car Service.

Management’s Response:

1. The Armored Car service will be contracted to collect and transport deposits from the Stanton Toll Plaza twice-a-day to resolve the issue of timeliness of deposits.
2. Daily reconciliation of the Kiosk has been updated in the Toll Collection System. Procedure will be updated in the Operational Procedures Manual.

Responsible Party:

Sandra Limon – Business and Financial Manager

Implementation Date:

December 1, 2012

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Current Observation

1. A review of deposits for revenue collected during the period of May 19, 2014 through May 26, 2014 at the Zaragoza and Downtown International Bridge was conducted. Our review identified the following:
 - 21 out of 21 (100%) Zaragoza deposits were deposited within the required timeframe.
 - 17 out of 17 (100%) Downtown deposits were deposited within the required timeframe.
2. Currently, there is no log to report overages/shortages for the Kiosk Machines because there has not been an overage or shortage. A review of Kiosk Machine sales was conducted for the period of April 2014 through June 2014 and no overages/shortages were identified. Supervisors are aware that overages and shortages need to be logged when they occur.
3. Pre-paid payments for the AVI Program are tracked and logged. If a payment is over or short the difference is reviewed by the supervisor and the customer's pre-paid account is adjusted to reflect the correct payment amount.

Status

Implemented

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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 International Bridges – Internal Controls 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 the International Bridges Department met the objectives of this audit. The following is our conclusion.

The International Bridges Department has met the Audit objectives in the following areas:

- Updating their policies and procedures to reflect its operations.
- Upgrading the Toll Collection System to correct the toll count and revenue deficiencies.
- Implementing a reconciliation process to ensure that daily balancing documentation is accurate and Kiosk Machine sales are reviewed.
- Ensuring pre-paid adjustments are reviewed by a supervisor and issuing a unique log-in and passwords to employees to log in to the AVI Program.
- Implementing stronger internal controls to ensure proper safeguarding of cash.
- Making deposits on a timely basis and tracking overages/shortages for the Kiosk Machines and the AVI Program.

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

Signature on File

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Chief Internal Auditor

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